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**Legislative Assembly  
of Ontario**

First Session, 37<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**

Première session, 37<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

Thursday 18 May 2000

**Journal  
des débats  
(Hansard)**

Jeudi 18 mai 2000

**Standing committee on  
finance and economic affairs**

Subcommittee report

**Comité permanent des finances  
et des affaires économiques**

Rapport du sous-comité



Chair: Marcel Beaubien  
Clerk: Tom Prins

Président : Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS

Thursday 18 May 2000

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Jeudi 18 mai 2000

*The committee met at 1108 in room 151.*

## SUBCOMMITTEE REPORT

**The Chair (Mr Marcel Beaubien):** Good morning, everyone. We'll bring the committee to order. It is after 10 o'clock. The purpose of the meeting this morning is to consider the subcommittee report of May 17, 2000. Who wants to start? It's in front of you; I think the report of the subcommittee is in front of each committee member.

**Mr Doug Galt (Northumberland):** Mr Chair, I have a very important duty here, and maybe we should get this looked after first.

**The Chair:** I will let you proceed with that.

**Mr Galt:** I'd like to make a motion. I move that the following substitution be made in the membership of the subcommittee on committee business: that Mr Young be substituted for Mr Arnott.

**The Chair:** You've heard the motion. Is there any discussion on the motion? If not, then all those in favour of that motion? The motion carries unanimously.

Any other motion? No? Then we'll proceed to the subcommittee report, which is in front of you.

**Mr Gerry Phillips (Scarborough-Agincourt):** I move the subcommittee report, Mr Chair.

**The Chair:** Mr Phillips moves the subcommittee report. Any discussion?

**Mr Galt:** I'm looking at the 9 o'clock start and wondering if the committee might consider a 10 o'clock start rather than a 9 o'clock start, for two hours on each of the two mornings.

**The Chair:** It's up to the committee to decide what your preference is. I am only the Chair; I cannot decide on your behalf. The subcommittee made the recommendation of 9 o'clock.

**Mr David Christopherson (Hamilton West):** I would suggest, since there's likely to be a dramatic shift between the subcommittee report and the final report, we get that settled and then see where we are. I mean, why amend this if you're going to kill the whole thing anyway?

**Mr David Young (Willowdale):** If it's in order, Mr Chair, I'd like to move a number of amendments to the subcommittee report, if I may. I have them here in a form that might be of some assistance to yourself and to the clerk. I have copies for each of you. If this document is considered in conjunction with the report of the

subcommittee, it'll hopefully clearly indicate where it is I suggest this committee goes. I'll read them out, Mr Chair, but I have given you a copy.

**The Chair:** Mr Young, are those the only two copies you have?

**Mr Young:** I have one for myself. Do we need additional ones?

**The Chair:** We'll just take a quick recess; I'll get the clerk to photocopy.

*The committee recessed from 1112 to 1114.*

**The Chair:** First of all, Mr Phillips, since you moved the subcommittee report minutes, could you please read them for the record?

**Mr Phillips:** Sure.

"Your subcommittee met on Wednesday, May 17, 2000, to consider the method of proceeding on Bill 72, An Act to pay a dividend to Ontario taxpayers, cut taxes, create jobs and implement the Budget, and recommends the following:

"(1) That the committee meet in Toronto on June 1 and June 8, 2000, in the morning and afternoon each day and invite the minister and appropriate ministry staff to the meeting to explain the bill and answer questions.

"(2) That the minister attend the committee meeting for the first two hours on June 1 and that the ministry staff attend for the duration of the committee's meetings on June 1 and June 8, 2000.

"(3) That amendments be submitted to the clerk of the committee by 9 am on June 6, 2000, and that the clerk will distribute the amendments to the committee members the same day.

"It is noted that Mr David Young dissented from these recommendations."

**The Chair:** Thank you, Mr Phillips. Mr Young, I'll go back to you now.

**Mr Young:** Mr Chair, again so that the record is clear, I will read the amendments I propose, being as follows:

That section 1 be amended by removing the words "invite the minister."

That section 2 be amended by removing "the minister" and replacing it with "ministry staff" as the group to attend for the first two hours of June 1, 2000.

That section 2 be further amended by removing "ministry staff attend ..." and replacing it with "ministry staff be on call ..."



Finally, that the date in section 3 be amended to "June 2, 2000" and that the amendments be tabled by 9 am and distributed by 12 noon on that same day.

**The Chair:** You've heard the motion proposed by Mr Young. Any discussion on the motion?

**Mr Phillips:** Let me start by saying that I find it unacceptable that the minister is not prepared to come and defend the bill. I view this bill as the most sweeping tax bill we've seen in 15 years at least. I reread the campaign document of the Conservative government and it never mentioned corporate tax cuts of up to 40% and capital gains cuts of one third. In the end it will be \$9 billion worth of tax cuts. It will, in my opinion, unless we see evidence to the contrary, threaten our health care system funding. It is a huge policy decision that we've decided we are going to have corporate rates lower than our neighbouring states. It's the first time I can recall where the budget essentially referred to simply how we compete with our neighbouring US states, and there are, as I say, huge policy implications. If this bill is passed, to make any future changes requires referendum.

I happen to think it's certainly the most important economic issue facing us. It just seems absurd to me that the minister would not want to be here to explain the rationale behind this tax policy. As I say, there was never a mention in the campaign about cutting corporate taxes like this, never a mention in the campaign about cutting capital gains taxes like this. I think we are owed a very fulsome discussion on the rationale. I now find that the staff will be on call. They can't even give us two days of their valuable time to be here to answer, hopefully on behalf of the minister, the policy issues and the detail issues behind the bill.

Essentially, in my opinion, it's an insult to the opposition, to the Liberal caucus and to the NDP caucus, that the minister can't find two hours to come and explain the rationale behind this bill and to have a debate on it. It is, I gather, the cornerstone of the Conservative Party policy. It's the thing you feel proudest about, I gather, and I think the government owes us a visit from the minister and an opportunity for a really vigorous debate.

I regret very much that the public has no opportunity for input into this. I have had calls from at least one group wanting to express their view on what I regard as the most sweeping tax legislation I can recall. I'm angry that the minister has decided he won't appear. I'm angry that the minister is only going to allow his staff to appear for two hours and then be "on call." I just find this unacceptable. I think the public has a right to have their business done in public. I understand that when you win elections you think you can do whatever you want, but that isn't how I view democracy. I can't imagine why anyone would support these amendments. I find it insulting.

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**Mr Christopherson:** I share the concerns of the critic for the official opposition and feel even more strongly about the public being involved here. Quite frankly, other than maybe one session with the ministry staff, we

achieve nothing here that we couldn't achieve by virtue of asking for a technical briefing and meeting with the staff one on one. To me, it's almost pointless beyond the first morning. Four sessions, four half-days of talking with staff, is not going to produce the kind of discussion that needs to happen here. You can't grill staff; that's not fair to them. Yet the questions we have to ask are of an adversarial nature. The minister won't come; he's hiding behind his bureaucrats. That's shameful. A bill of this importance, and the minister refuses to come forward. It's an insult to the people of Ontario by virtue of the fact that the opposition is the only voice for those who didn't vote for the government and don't agree with the government, and yet the minister who is sponsoring this bill refuses to come before the committee. Further to that, we can't bring anybody in from the outside. So we're all going to have a nice session of navel-gazing.

This is just outrageous. I can't put into words how strongly I feel that the government is muzzling the whole process of any kind of democratic interaction. And it's not just this committee; every bill that comes forward is being rammed through here with very little or no input by anyone. I've been around here long enough that I can see and feel the dramatic, draconian change that's taken place. This is just one more example of it. I not only oppose with my voice and vote but every fibre of me that this is any kind of decent way to deal with a bill that has the implications it does. We're getting further and further away from this Legislature and its committees having any relevance whatsoever. I understand the backbenchers get a little upset when people from the public come forward and say things that aren't nice about their government, but too damn bad. The fact of the matter is, there is supposed to be an open, lively debate, and we're not going to have one with these amendments.

Quite frankly, I will attend to the point where we're getting something out of it, but once we just start going around and around and around and the bureaucrats start saying, "Well, that's the policy, that's the policy, that's the direction, that's the way the minister says," once we get to that kind of stonewalling, I am not going to waste my time at this committee being run around when there are other places where I could do something more productive.

If the government would give its head a shake and let the public come in and have a real discussion—they can bring in their supporters and we'll bring those in who disagree with the government and we'll have an open debate. That's the nature of this place. That's what's supposed to happen, and it's not happening and it's outrageous.

**Mr Young:** My colleagues may have some comments as well, but let me try to address some of the points raised by Mr Phillips and Mr Christopherson.

First of all, it's important to recall that this committee has spent a great deal of time consulting with the public. The views of the public were obviously very important to this body, and that undoubtedly explains why a total of 10 days of hearings were held across the province in, I



believe, six cities—cities, by the by, represented by politicians of all different stripes. There were numerous representations made to this committee, many of them non-partisan. Some of them, as Mr Christopherson described future representations in this manner, would clearly be biased or partisan on one side or another; that inevitably happens and did happen, but there were a lot of excellent submissions made to this body. Many of those recommendations and submissions are in fact embodied in the actual budget document. This committee heard from 102 organizations representing unions, social advocacy groups, community groups, businesses, heard from individuals, and received written submissions.

In addition, it is important to recall that the minister took part in extensive pre-budget consultation. His efforts included 13 round tables representing a broad spectrum of interests. His consultations involved discussions, in one fashion or another, with 370 organizations and individuals. I should add that since joining the Ministry of Finance two or three months ago, I too participated in many discussions with groups, ranging from community living groups to various business organizations. Some 300 individuals participated in total in that set of pre-budget consultations done through the ministry.

It should also be noted that the minister did attend at this committee. Based on my review of previous years, he attended longer, arguably twice as long as most ministers do. It's my submission—and I think the facts will bear this out—that the formative and primarily important part of this process we're now engaged in the last stages of takes place when one does go out and listens and crafts the bill, based of course on a position put forward by a political party during an election campaign, but also based on what one hears through those committee hearings. That's exactly what occurred.

As to Mr Phillips's concern about this fundamental shift, the notion of cutting corporate taxes being perhaps offensive but certainly unique in the manner he describes, I point out that as far back as 1995 in the Liberal red book, the Liberal Party acknowledged that corporate tax rates had to be cut to make businesses more competitive. They seemed to understand that at that time.

I should also point out to you that we are not only trying to be competitive in relation to other provinces and border states; we're now in global competition with countries that have cut tax rates for businesses and continue to do so, countries many of which, by the way, have very strong health care systems. Denmark, Norway and Finland are some that come to mind. The nexus that Mr Phillips attempts to draw between lower taxes and less health care funding is, in our respectful opinion, simply fanciful. The history of this government with cutting taxes and increasing health care funding suggests otherwise. Our commitments suggest otherwise. There is nothing new or unique in the direction we are heading here that is different than we have espoused over the last five or six years, both in the Legislature and in election campaigns.

In closing this segment of comments, I would also like to say that it's of course open to the members of the Liberal Party and the New Democratic Party to pose questions to ministers of the crown, including Minister Eves, during question period. By my count, this privilege has been utilized on very few occasions, if any.

**Mr Phillips:** Have you seen him there since the budget?

**Mr Young:** I have indeed, on numerous occasions, as a matter of fact, as recently as yesterday. So it seems to me that if there were some pressing political questions of the sort that Mr Phillips was describing a few moments ago, surely those would have been presented during question period.

1130

**The Chair:** Any further discussion?

**Mr Christopherson:** You're damn right. The parliamentary assistant talks about the excellent submissions that came in beforehand and then somehow wants us to believe that's the end of the democratic debate, that everybody gives input and then you just do whatever you want and there's absolutely no comment afterwards, which is ridiculous. It matters probably more what you did with the input than the fact that you got it: whether you ignored it, whether you implemented it, whether you changed it, whether you brought in something that wasn't raised at this committee.

Your suggestion that somehow question period could be used for some of these things—if that were the case, then we would just triple question period and eliminate committees. The fact is, there are detailed questions here that are not macro enough to warrant a question in the House but certainly need to be looked at, and that's what committees are for. We're supposed to roll up our sleeves and do the detailed grunt work, quite frankly, that the media aren't interested in and that most of the public aren't interested in but that have major implications at the end of the day on how this province is run and, in this case, how our economy works.

We've got a bill that's about 36 pages, which is a fairly lengthy bill. It makes amendments to the Corporations Tax Act, the Income Tax Act, the Land Transfer Tax Act, the Mining Tax Act and the Retail Sales Tax Act. Given that taxation is one of the biggest levers of power that governments have, particularly majority governments, it makes sense that we would give people who are experts in this field—neither Mr Phillips nor I are economists, we're politicians, but we would like to have economists come in, both those who are supportive of this bill and those who are opposed to it, and point out to us what the concerns are.

I also want to point out that this is such a sham. The amendments that were just moved by the government have this committee meeting on June 1, and then on June 2 we're to have our amendments in. Then the committee meets, for the other 50% of the time, on June 8. What a absolute joke. You haven't even covered up the fact that it's a sham very well, to offer up two dates for committee discussions, and nobody gets to come in



except bureaucrats, the minister refuses to attend, and then half the committee hearings happen after the deadline for amendments.

There's no way you can make the argument to any reasonable person that you really care about what anybody thinks about your bill. I don't even know why we're bothering. It's an insult to refer it to committee and somehow suggest that the parliamentary committee process is alive and well, because it's not. That's why I'm so outraged. It's just an absolute sham, a fraud perpetrated on the people of Ontario that somehow their parliamentary system is working the way they expect. No, it isn't.

Absolutely nothing of any value will come out of these hearings except what the government wants. There won't even be an opinion from outside of this committee meeting except for those of us who are members, and there are two of us here who have an opposing view to the four of you across the way. That's all that's going to happen. It's so insulting, and what drives me crazy is that it's so blatant. I can scream all I want from the rooftops, but that doesn't do any good if nobody's listening and the media doesn't seem to feel that this is any particular problem. I'm trying not to be over the top about it, but the reality is that the democratic process, the parliamentary tradition, the notion of a pluralistic society, doesn't exist much around here any more. This is one of the most blatant examples; however, it's just another example, because there are lots of them. There's absolutely nothing that the parliamentary assistant's said that in any way, in my opinion, mitigates the legitimate criticism of this farce and this insult.

**Mr Phillips:** The tragedy is that the parliamentary assistant says it and almost sounds like he actually believes it. This is an insult of the first order. The consultation that took place was input. The bill is now implementation. That's all background. Now the government has declared itself and has introduced a bill, in my judgment a hugely important bill. It sets up Ontario's own tax system for the first time ever. It sets in place corporate tax-rate cuts that will put our corporations substantially lower than the US. That may be acceptable, but I've outlined the questions in detail that we need answers to. It sets in place by legislation small business tax cuts, including in the future, by the way, for organizations like doctors. I understand that, but I've got questions on it.

It is unbelievable that a minister wouldn't want to come before us and defend the bill. It is unbelievable that with what I regard as the most sweeping tax bill in Ontario, certainly since I've been in the Legislature—I defy anyone to find one more sweeping—that the Minister of Finance won't even give us two hours of his time to come in and defend it, explain it. I've taken the time to write a four-page letter outlining what I regard as some of the key issues, questions and discussion points.

You've got the votes, so you can ram it through, you can muzzle us, you can cut off debate on it. The Minister can say, "I'm not coming," and he won't come. "Furthermore, I'm going to allow my staff to be there two hours

and then they're leaving. If you want them, you've got to phone them to come back." I just say this is obscene. That's strong language, but that's how I feel about it.

I can't imagine that anyone who got elected to come to here to do the public's business, to involve the public, to let the public see what's going on, to allow some opportunity for input, would accept this. As my colleague from the NDP said, it is turning legislative committees into a farce, and I can't imagine why the government members would allow themselves to be a part of it.

**Mr Galt:** It's interesting to hear some of the comments coming from across the floor. This is my first year to be sitting on this particular committee. I was extremely impressed with the extensive consultation we carried out in the month of February, both in Toronto as well as, I believe, some six communities around Ontario, north, east, west. Over and above that, the minister carried out extensive consultations, and I personally chaired a task force on rural economic renewal which again went around the province for some seven days getting input for the Minister of Finance. It's really impressive the extensive consultation that was carried out by many different facets of the government prior to the budget being struck.  
**1140**

I think it's interesting how well this budget has been accepted by the public. Certainly when I was on CJBQ a week ago Friday, half the calls coming in over a two-hour period were congratulating the government. There was practically no criticism of the budget. Listening to CFRB recently, driving in yesterday morning, there was approval of the \$200 rebate and the budget in general. As was previously mentioned by the parliamentary assistant, I believe there's only been one question in the House to the Minister of Finance questioning this particular bill and the budget in general.

I do empathize with the opposition on ministry staff availability. I think there's a bit of a misunderstanding. Certainly whoever they would like will be here; it's just a matter of identifying who they need as a resource person. We don't need a whole army here from the Ministry of Finance as we go through clause by clause. There are areas of expertise that are needed and other areas of expertise that are not needed, and from an effective, efficient point of view of government, I don't think we need a whole lot of people sitting in here for two full days.

**Interjection:** How insulting.

**Mr Galt:** Well, how many would you want here? How big an army do you want for the two days? All you have to do is let us know who you want here and we'll have them here for you. But I don't think we need 20 or 30 people sitting in this room at your beck and call just to make you feel good. Those you need, we'll ensure they are here.

It's interesting how the opposition talks about this deteriorating into a sham. Chair, I'd like to let you know just how much time was spent on committee work by the opposition when they were government. In our first term, from 1995-99, we had 798 hours of committee work on



the road. What did the NDP have? It had 645 hours. And what did the Liberals do during their five-year term? They had 349 hours. I think that in itself speaks well of this government and what we've been doing.

How many bills were passed, and days of sitting? Sessional days were 431 for our government, and we passed 114 bills. What did the NDP sit? It was 385 days and they passed 163 bills. The Liberals sat 297 days and passed 183 bills. That can be broken down into how many sessional days or how many bills per sessional day. We have spent a lot more time in debate on each and every bill, whether it be second reading or third reading. You can talk about hours, you can talk about days. Whatever measure you would like to use, we have had far more consultation, far more debate on the bills, on second and third reading as well as in committee.

What they're saying about how this government operates, ramming things through—I think they're remembering what they were doing rather than the government that's now in place that does pride itself on and certainly carries out extensive consultation, extensive debate. I'm quite comfortable with the amendments. I would like to see that we meet from 10 to 12 on the two mornings rather than 9 to 12, but that's certainly flexible.

**Mr Young:** Very briefly, Mr Chair. I appreciate that I've spoken before, but I did want to comment on a couple of points and ask what is perhaps a rhetorical question.

I heard with interest that Mr Christopherson was not pleased, to say the least. I think he said every fibre of his body was offended, or something of that sort. I wonder if the same offence was felt in 1994, when there were four bills that might be properly characterized as budget bills: the Ontario Loan Act, the Budget Measures Act, the Revenue Act and Liquor Licence Act. Based on my review of the documentation, not one of those bills spent a day at the committee stage. I can recite other bills at other times. While I appreciate that my friends have different positions, and they've certainly put their positions forward in a very emphatic way, I do question their comments about the unprecedented nature of what is being proposed here. I think that is not an appropriate characterization. I think we have had a good discussion with the public and with others and that two days is a sufficient amount of time to complete this process.

So I'll be supporting the amendments I have moved. I have the utmost confidence that it will allow for the process to be completed in a reasonable fashion.

**The Chair:** Thank you, Mr Young. I will now pose the question on the amendments to the subcommittee—

**Mr Phillips:** May I ask a question before we get—why won't the minister appear?

**Mr Young:** If the question's posed to me, Mr Chair, I'd be pleased to have the opportunity to answer it. The minister did appear at this committee previously. He appeared for rather an extended period of time, based on past precedent and on the precedent that has been established over the years. The minister has, at a very crucial time, been in front of this committee. I know it's

the opposition's job to try to waste time and elongate processes to try to get some attention in the media, but there's no purpose served by it at this juncture.

**The Chair:** We will now go to the amendments that Mr Young submitted:

That section 1 be amended by removing the words "invite the minister."

That section 2 be amended by removing "the minister" and replacing it with "ministry staff" as the group to attend for the first two hours of June 1, 2000.

That section 2 be further amended by removing "ministry staff attend ..." and replacing it with "ministry staff be on call ..."

Lastly, that the date in section 3 be amended to "June 2, 2000" and that the amendments be tabled by 9 am and distributed by 12 noon on that same day.

**Mr Christopherson:** A question on the motion: Do I understand correctly that indeed halfway through the committee discussions the amendments are expected to be put in by the opposition and then the committee continues for the other 50%? Do I understand these dates correctly, Chair?

**The Chair:** That's the way I would read it, Mr Christopherson.

**Mr Christopherson:** That pretty much sums it up.

**The Chair:** So all those in favour?

**Mr Phillips:** Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Phillips.

**The Chair:** The amendments carry.

Now we'll need a motion on the subcommittee report as submitted.

**Mr Ted Arnott (Waterloo-Wellington):** So moved.

**Mr Phillips:** Recorded vote.

**The Chair:** All those in favour of the amended subcommittee report of May 17?

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Phillips.

**The Chair:** The amended report carries.

**Mr Young:** Chair, just a point of clarification: Dr Galt, just as we were commencing the vote, correctly asked whether or not that was to be 9 o'clock or 10 o'clock by way of a commencement time. I thought we had achieved some level of agreement that it was to be 10 o'clock.

**Mr Christopherson:** You've got no agreement about anything.

**Mr Young:** Then let's start at 9. You can get somebody to cover you as House leader.

**Mr Christopherson:** You can do whatever you want.

**Mr Young:** Nine o'clock is great.

**The Chair:** What I have in front of me right now is that the amended subcommittee report recommends that we meet at 9 o'clock. That's my understanding, correct?

**Mr Phillips:** Yes.

**The Chair:** Any other business? If not, then I'll entertain a motion to adjourn.

**Mr Arnott:** I move adjournment.

**The Chair:** We are now adjourned.

*The committee adjourned at 1148.*





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## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 1 June 2000

# Journal des débats (Hansard)

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**Standing committee on  
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Taxpayer Dividend Act, 2000

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 1 June 2000

Jeudi 1<sup>er</sup> juin 2000*The committee met at 1000 in room 151.*

## TAXPAYER DIVIDEND ACT, 2000

LOI DE 2000 SUR LE VERSEMENT  
D'UN DIVIDENDE AUX CONTRIBUABLES

Consideration of Bill 72, An Act to pay a dividend to Ontario taxpayers, cut taxes, create jobs and implement the Budget / Projet de loi 72, Loi visant à verser un dividende aux contribuables de l'Ontario, à réduire les impôts, à créer des emplois et à mettre en oeuvre le budget.

**The Vice-Chair (Mr Doug Galt):** I will call the committee to order. It's 10 o'clock. I'm filling in for the Chair, Marcel Beaubien. We look forward to the presentation from the various representatives of the Ministry of Finance.

## MINISTRY OF FINANCE

**The Vice-Chair:** We'll call the delegation, Dr Bryne Purchase. Possibly, Bryne, you could introduce the various staff who are here. They're not all here right now, but they will be.

**Dr Bryne Purchase:** Yes, they will be here shortly.

**The Vice-Chair:** As you name them, they can put their hand up so the committee members recognize them.

**Mr Gerry Phillips (Scarborough-Agincourt):** Chair, what is the process you're planning here today?

**The Vice-Chair:** My understanding is, from 10 to 12, to have a presentation from the ministry staff and then questions and answers from the three parties until 12 o'clock.

**Mr Phillips:** Will there be any opening statement by the minister's representative?

**The Vice-Chair:** My understanding is the opening statement is from the deputy minister, Dr Bryne Purchase, and his staff.

**Mr Phillips:** As you know, I requested that the minister be here, and in the absence of the minister, I gather the parliamentary assistant is responsible for carriage of the bill. I expected he might want to make an opening statement and then perhaps we could make an opening statement so that the ministry staff's comments might be geared to helping us answer the questions we've got as well.

**The Vice-Chair:** I don't think there's any question, Mr Phillips, that the parliamentary assistant will help with answering the questions. As you recall, the sub-committee report came in asking for the minister, but that was overturned by the full committee.

**Mr Phillips:** I received a letter yesterday from Mr Young himself saying that he was going to be essentially representing the minister, and I wonder if he has an opening statement for us.

**The Vice-Chair:** We can ask. Mr Young?

**Mr David Young (Willowdale):** I certainly appreciate Mr Phillips giving me the opportunity to make an opening statement. My concern, though, is that the opposition parties—or I guess party; there's only one here right now—have as much time as possible to question the ministry staff who are here. We have a morning session here that has been devoted to essentially a technical briefing. Rather than engaging in lengthy statements from both sides, or all sides, which would undoubtedly involve a good deal of repetition of things we have said in the past, it's my respectful submission that we simply get right into the questioning and in due course, over the remainder of the days set for these hearings, there'll be ample time to set out whatever would be said in an opening statement.

**Mr Phillips:** Do you mind if I take five minutes, just to give the staff an opportunity to perhaps in their comments respond to our concerns?

**The Vice-Chair:** If there is agreement in the committee, because that wasn't what was planned.

**Mr Young:** I have no objection to that.

**The Vice-Chair:** Any objections? Is everybody agreeable? OK. You have five minutes, then, Mr Phillips.

**Mr Phillips:** Starting now.

**The Vice-Chair:** Starting now. I'm going to be Chair today, so I'm going to keep you right on the mark.

**Mr Phillips:** OK. The major concern that we in the Liberal caucus have is Ontario's ability to fund our fundamental services in the future: health care, education, and we've been through in the last few days other areas in the environment. I think before anyone can agree to this bill, we need to have from the minister and, lacking the minister, from the minister's staff, some indication that we can do these things and still fund our essential services.

I gather from this bill that the plan is to reduce corporate taxes from 15.5% to 8% or from 13.5% to 8%. I



gather the government is urging the federal government to essentially match it, to reduce corporate tax levels to dramatically below neighbouring US states. If we proceed down that road, I want to know where we are going to find the revenue.

I would just add that when the government sends its documents out to say, "Come and locate in Ontario," it says in this document that health care costs in Ontario are \$2,500 lower per employee than in neighbouring jurisdictions. It says, "The amount of money you will have to spend as an employer in Ontario is \$2,500 less." That, I might add, if you just take the auto sector, 143,000 employees in the auto sector in Ontario, is a \$350-million cost advantage, the way we fund health care, the way that health care is provided in Ontario versus Michigan or New York or Illinois. General Motors alone I think gets an annual advantage on that aspect of about \$65 million. If, as the government says, we need now to have corporate tax rates substantially lower than neighbouring jurisdictions, and we want to retain our health care system, and we want that \$2,500 advantage, we have to find the money elsewhere.

I also gather from the documents that Ontario is proceeding with a 15% cut in personal income tax. The one piece of advice that the government gave to the federal government before its budget was, "Cut your personal income tax levels by 20%." We have in this budget—although not in this bill, but in the budget it's part of this—a plan to reduce capital gains from 75% to 50%, which has an impact on our income tax revenue. The second, and by the way, 75% of the federal government's revenue comes from corporate taxes and income taxes, and 55% of our tax revenue comes from personal income tax and corporate taxes. So on the one hand, we want corporate taxes lower than neighbouring jurisdictions, and I gather we're aiming for personal income tax levels equal to neighbouring jurisdictions.

For us in the Liberal caucus, it is quite fundamental to have from the minister, and lacking the minister, from the minister's staff or the parliamentary assistant, an assurance that we can proceed with these tax measures and still fund our health care and our education system. It was ironic, I was looking in this document *Doing Business in Ontario*, and one thing it says is, "Ontario means beautiful, sparkling, shining water." We need money to ensure we have that.

As we proceed with this, and I view this as a package, I realize we're dealing with mainly corporate and income tax, land transfer, some sales tax issues, but it's part of the broader picture. Can we get an estimate, a look at the future expenditures and revenues? In the federal economic background, they provide a five-year revenue and expenditure forecast. They're able to do it. The government itself, Mr Eves in a letter to the federal government, said, "We've looked at your federal numbers and we see you're going to have a surplus," so I presume that provincial government has looked at forecasts for the federal revenue and reached some conclusions. I've had difficulty in the past couple years getting any estimates out of the minister or the staff, although we've been told

that detailed revenue forecasts are prepared by tax line. Somewhere in the ministry the numbers exist.

That is my opening comment. We have before us a package of about \$9 billion of tax cuts, \$4 billion in the corporate sector, \$1.2 billion in capital gains, about \$3 billion in personal income tax, and we're being asked to approve that without a look at whether, in fact, we can continue to provide what I regard and what our caucus regards and, I think what most Ontarians regard, as the essential services.

**The Vice-Chair:** I think we're going to have to move on. You asked for five; we're well over six now.

**Mr Phillips:** Thank you. I look forward to the response.

**The Vice-Chair:** We'll move to the delegation. Dr Purchase, would you introduce your staff, at least those who are present, and we'll continue with your presentation.

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**Dr Purchase:** My name is Bryne Purchase. I'm Deputy Minister of Finance. With me are Tom Sweeting, assistant deputy minister, office of the budget and taxation; Graham Stoodley, director, office of legal services; and Philip Howell, assistant deputy minister and chief economist, office of economic policy. We would like to have a brief technical presentation by Mr Sweeting first to the committee.

**Mr Tom Sweeting:** Thank you, Bryne. Good morning. I would like to take a few minutes just to run through for the committee the main items that are in Bill 72, the Taxpayer Dividend Act, 2000. There is a presentation, I believe, that every member of the committee should have.

Part I of the act deals with cutting corporate income tax rates. The 2000 Ontario budget announced a comprehensive strategy to cut both the corporate income tax rate and the manufacturing and processing rate to 8% by 2005. This would be the lowest general corporate income tax rate in Canada, compared to current rates in other provinces. The result would be that Ontario and federal corporate income taxes would be more than 10 points below the average current rate in US Great Lakes states.

This bill implements the first two steps of this plan. The general corporate income tax rate is reduced from 15.5% to 14.5% effective May 2, and to 14% effective January 1, 2001. The M and P rate is reduced from 13.5% to 12.5% effective May 2, and to 12% effective January 1, 2001.

There are also changes in this bill related to the small business tax rate. These amendments implement the budget proposal to accelerate and enhance the 1998 budget scheduled cut to the small business rate. At that time there was going to be a cut over several years to a small business rate of 4.75%. With the budget, the rate cut is proposed to go from 8% to 7%, effective on May 2, 2000, and to 4% by January 1, 2005, a year earlier than the original plan.

The reduced rate of 10% available to credit unions on income in excess of the small business deduction is also harmonized with the proposed small business tax rate.

As well, the small business income tax rate will be available to more small businesses. The bill proposes that the income limit for access to the full small business deduction will be from \$200,000 to \$400,000 and it will be phased in until January 1, 2005. Also, the limit at which some relief is still available would be raised from \$500,000 to \$1 million, phased in over the same period of time. This will be of benefit to 7,500 growing Ontario small businesses.

The Income Tax Act implements a made-for-Ontario tax system. The budget proposed in the act is proposing that, beginning in 2000, Ontario's tax brackets and rates will be set independently of the federal tax brackets and rates and Ontario tax credits and adjustments would be set to maintain the benefits provided under the current system.

Also proposed is a reduction in the Ontario personal income tax rates applied to the first- and middle-income brackets, effective July 1, 2000. Those proposed rates are documented in this presentation for taxable incomes of less than \$30,004. The rate for 2000 is proposed to be 6.37%, down from the 6.54% that was in place prior to 2000, and the rate next year will be 6.2%. For taxable incomes between \$30,004 and \$60,009, the rate will be 9.62% for 2000, which is down from 10.01% after the 1999 budget, and next year, 2001, the rate is proposed to be 9.24%; and above \$60,009 the rate is proposed to be 11.16% in both 2000 and 2001.

There's also an amendment made related to environmental trusts to parallel the change in tax rates that are made for corporate income tax purposes, as these trusts are taxed as corporations since they are established as corporations, not as individuals.

The act also proposes the payment of a taxpayer dividend, which would be a rebate of up to \$200 of Ontario personal income tax paid in 1999. Taxpayers who paid some Ontario income tax but less than \$25 would receive a rebate of \$25; those who paid between \$25 and \$200 would receive the tax that they paid; those above \$200 would receive \$200.

There are changes to the Ontario child care supplement for working families to provide a new single parent's benefit to this program that was introduced in the 1998 budget as a reinvestment under the national child benefit initiative. This change would increase the maximum annual benefit by \$210 for single parents, from \$1,100 to \$1,310 per child under age seven, effective July 2000.

On the land transfer tax front, the bill proposes to make permanent the land transfer tax refund program for first-time buyers of newly built homes. Qualifying purchasers will now apply for a refund no later than 18 months after the registration of the home purchase where a refund is not claimed at the time of registration. The effective date for this is April 1, 2000.

Mining tax: Bill 72 implements the budget proposal to reduce the mining tax rate from 20% to 10% by January 1, 2004. There is a schedule, with rate changes occurring on May 2—the rate will be 18%; January 1, 2001—16%;

January 1, 2002—14%; January 1, 2003—12%; and January 1, 2004—10%.

With respect to retail sales tax, the bill implements a budget proposal to phase out the retail sales tax on repairs and replacements made under warranty. The proposed phase-out schedule is 6% of the cost of the property acquired after May 2, 2000, and before April 1, 2001; 4% of the cost of the property after March 31, 2001, and before April 1, 2002; 2% of the cost of the property after March 31, 2002, and before April 1, 2003; 1% of the cost of the property after March 31, 2003, and before April 1, 2004; and the tax rate would be phased out by April 1, 2004.

With respect to motor vehicle insurance premiums, it implements a budget proposal to phase out the RST on motor vehicle insurance premiums. It's phased from 5% to 0.0% over four years, starting May 3, 2000, and ending April 1, 2004. This provision applies to insurance contracts on vehicles licensed under the Highway Traffic Act and insured under the Compulsory Automobile Insurance Act.

When the budget was tabled, provisions were based on insurance coverage after budget day, regardless of when premiums were due. For example, in the first stage of the reduction, the rate would be 4% of the portion of the premium payable for insurance coverage after May 2, 2000, and before April 1, 2001, under a contract of automobile insurance.

In response to administrative complications raised by the industry, clarification was provided through an information notice on May 5, 2000, that amendments would be introduced to implement the rate reductions on a "premiums due" basis. The new lower rates would apply to premiums due after May 2 as follows: 4% for premiums due after May 2, 2000, and before April 1, 2001; 3% for premiums due after March 31, 2001, and before April 1, 2002; 2% for premiums due after March 31, 2002, and before April 1, 2003; and 1% for premiums due after March 31, 2003, and before April 1, 2004. The tax is eliminated for premiums due on or after April 1, 2004.

As well, the act implements the budget commitment to exempt from RST premiums assessments or contributions made by credits unions and caisses populaires for deposit insurance. That is effective May 3, 2000.

The bill implements the budget proposal to convert the rebate program for farm building materials to a point-of-sale exemption. The implementation date will be set after consultation with the Ministry of Agriculture, Food and Rural Affairs. As well, there is a consolidation for legislative clarity: RST exemptions for farm machinery, equipment and supplies are consolidated.

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The bill implements the budget proposal to ensure that all gifts to schools, colleges and universities are exempt from retail sales tax.

Finally, the bill implements the budget commitment to exempt from retail sales tax seedlings purchased by forest resource licence holders, issued by the Ministry of



Natural Resources, to support reforestation of crown lands. Thank you.

**Dr Purchase:** That concludes our little presentation, Mr Chairman, so we would be pleased to take questions from the members as they think appropriate.

**The Vice-Chair:** OK. I'm just looking at our time here. We have a little over 30 minutes per caucus. I notice that the NDP, or third party—maybe we'll just go one third, one third, and one third. Then we'll split that up if one of the thirds is not used. Do you want the whole 30 minutes at once, or would you like to do a little rotation, five minutes at a time?

**Mr Phillips:** Fifteen.

**The Vice-Chair:** So 15 minutes and then come around again? OK. We'll start with the official opposition, so your 15 minutes is starting.

**Mr Phillips:** Great. We're being asked to approve what I regard as the most comprehensive kind of tax plan in the province's history, perhaps. I gather the policy decision now is that we must move fairly aggressively on the corporate tax front. Is that the policy decision here?

**Dr Purchase:** I think the policy decision is to move both our general corporate rate and our manufacturing processing rate eventually to 8%, by 2004. I would argue that that is effectively the policy decision.

**Mr Phillips:** Why 8%? Why was that chosen?

**Dr Purchase:** The target of 8% will bring us to the lowest general rate in Canada, based on current rates across the country. It will also bring us to a more competitive level internationally, based on their current rates and based on the federal reductions.

**Mr Phillips:** You said in your opening remarks that it would take us 10 percentage points below the neighbouring states. Is the 10 percentage points an important—

**Dr Purchase:** That's a fact. That's not a target.

**Mr Phillips:** What is the policy decision here?

**Dr Purchase:** I could repeat that the policy decision is the commitment made, it seems to me, by the government in this budget that they have set a target of 8% by the year 2004.

**Mr Phillips:** Presumably there's a reason for that. Do we want to be lower than the neighbouring US states?

**Dr Purchase:** There are several reasons why one would want to reduce corporate rates. First of all, it's clear that we are not, by international standards—I guess, Mr Phillips, you've probably had an opportunity to read budget paper E.

**Mr Phillips:** I'm looking at it right now.

**Dr Purchase:** I regard budget paper E as really the essential document here in talking about tax rates and the justification for reducing those rates. Budget paper E demonstrates that Canada's tax rates, Ontario's in particular, are above those internationally. So we're not, if you like, tax-competitive internationally. The target would move us to a more competitive range. That's assuming that everyone stands still, and we know for a fact that that's not likely to be the case.

**Mr Phillips:** I gather you're urging the federal government to match it so that we would be combined—

Ontario believes that it would be appropriate for the federal government to match Ontario's move and put us at a combined rate of 23%. Is that correct?

**Dr Purchase:** That's right. That's correct. We do think that.

**Mr Phillips:** And that's the policy position of the minister, I gather.

**Dr Purchase:** Yes, this document represents the policy position of the ministry.

**Mr Phillips:** If our corporate rates are lower than in our neighbouring jurisdictions, where do we make up for that, for the income to fund our health care system, which provides, according to other government documents, a cost advantage of about \$2,500 per employee?

**Dr Purchase:** When we look at reducing these corporate rates, it's with an expectation that our long-term income will be much higher than it would otherwise have been. But we prudently assume that we have a revenue loss equal to our current take. That's just a prudent assumption.

**Mr Phillips:** So you do some future projections?

**Dr Purchase:** We don't do forecasting out five years at all.

**Mr Phillips:** The ministry does not—how far do you forecast?

**Dr Purchase:** The two years that you have in the document are the forecasts of the government. And in both those years there's no issue with respect to the ability to fully fund all of the programs, including health care, which is clearly a priority of the government, and balance the budget and to have a billion-dollar debt reduction. That's our plan.

**Mr Phillips:** We're voting on a bill today that implements tax cuts for five years, but you're telling me—

**Dr Purchase:** It does not implement tax cuts for five years, Mr Phillips.

**Mr Young:** That's not accurate.

**Mr Phillips:** Well, I think the small business tax cut is in the bill for five years.

**Dr Purchase:** Yes.

**Mr Phillips:** It is accurate, then.

**Dr Purchase:** Well, it's not accurate in its entirety.

**Mr Phillips:** But it is accurate.

**Mr Monte Kwinter (York Centre):** You just said it goes to 2005.

**Mr Phillips:** It is accurate.

**Mr Young:** Mr Chair, I'm concerned about the tone of this. There's about three instances I've experienced in the short time I've been here during Mr Phillips's questioning where he has cut off Dr Purchase. Dr Purchase is here to respond to questions. Presumably, if the question is posed, he would like to hear an answer. If he doesn't like the answer, he's certainly entitled to ask a further question or to comment—

**Mr Phillips:** Mr Purchase said that what I said was inaccurate, and that was not the case.

**Mr Young:** Well, here's another example of Mr Phillips cutting off the speaker who has the floor.

**The Vice-Chair:** There is a point here, and it may be just a little more respect for each other in the discussion. Proceed, Mr Phillips.

**Mr Phillips:** It is accurate that this bill implements tax cuts for five years. I just want to know—if the minister were here I would ask him the question. I find it very unfortunate that he's not here. I have to ask you the policy questions. I think that's unfair to you, but I have no choice. I had the same problem when you came before us pre-budget. I think it's unacceptable that we do not have some forecast of our revenue over more than—I'm not even sure that we've got two years here. In previous meetings we've had with your staff, they've said they do prepare these detailed numbers. It is inexcusable to me that we are being asked to approve financial plans, running out five years, with no numbers. If this were a business, I dare say the shareholders, to use the jargon that the Harris government uses, would be irate. I simply want to know from you—I would prefer it from the minister—I want some assurance that we can fund our health care system, our education system, our environmental concerns and still implement this tax bill.

**Dr Purchase:** No disrespect meant if there was any implied in my remarks; it was unintentional.

With respect to the question you raise about assurance in the future, what technical assurance can I give you? I can tell you that as I understand the government's policy—this is me interpreting what I see—they have committed, clearly and unequivocally, to a balanced budget going forward. That's forward as far as you wish to forecast. That, to me, is not a forecast. That's not a "Maybe," "Well, it could be," or, "Who knows what might happen?" That's a clear policy commitment that the budget will be balanced.

There is also a clear policy commitment of the government, as I understand it, that taxes will not go up. They will not raise a major tax rate or introduce a new tax. That is clear and unequivocal. If they were to decide to do so, they would have to get permission through a province-wide referendum. That's what I interpret: Those are commitments, they're clear, they're unequivocal, and they go out as far into the future as you care to think about. That, I think, sir, is the policy answer that I can give you. Technically, I used to be the chief economist of the province of Ontario when Mr Nixon was the Treasurer, and I wouldn't do five-year forecasts.

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**Mr Phillips:** Well, maybe you wouldn't, but I'm telling you that you are asking—the government's asking, not you—the government's asking us to sign on to a tax cut that cannot be changed without a referendum. You're not giving us any assurance on the health front. What we've got today is, all right, corporate taxes are going to be cut. The government wants the federal government to cut corporate taxes so that they're dramatically lower than the neighbouring US states. OK, we want to maintain our health care system, which gives our employers an enormous advantage. The government wants income taxes cut, they want capital gains cut. I just

say, on behalf of the people of Ontario, who want their health care system maintained, where is that going to come from? That's not a tough question, and you say you don't provide five-year forecasts, but you, "you" being Mr Harris and Mr Eves, commented on the federal government's five-year forecast. You had enough confidence in that to say, "Cut taxes, because we believe there's going to be a surplus."

I'm not going to agree to a tax cut unless I know we can fund our health care system. We now have cut corporate taxes, we're cutting income taxes, capital gains taxes, and where will it come from? It comes from, I gather you're saying, consumption taxes. I gather that's where it's going to come from. On the one hand, you're asking us to buy on to—this bill benefits, really, the best off in our province, without question. The people who benefit from the capital gains tax cut will be the best off in our province; no question about that. And it's going to going to put health care costs, unless you've got another answer that I don't see, on to all the other taxes.

I say again, if the government's not providing some future plan for us and laying it before us and saying, "Listen, here's what we believe on the tax front, and we believe that will still provide enough money that we can fund our health care system, our education system and the other things," why would anybody sign off on it? If this were a business, believe me, we'd be laughed out of any board meeting.

**Dr Purchase:** I think I've responded, Mr Chairman. I don't know what else to say.

**Mr Phillips:** In the ministry, when you look at costing future costs for various tax measures—you've outlined for us the implementation costs of the small business tax measures, which are for the next five years. You didn't use a five-year projection to reach that?

**Dr Purchase:** In that case, for certain, we would have looked at the cost over five years.

**Mr Phillips:** So you can do it for one tax. Why would you not provide the minister or the public with some information on what your expectations are; when we implement these tax measures, what your best cut is at how much revenue we will end up with in the province?

**Dr Purchase:** Because we don't do that.

**Mr Phillips:** Why not?

**Dr Purchase:** Largely because I don't think it's useful to do it. We don't make forecasts of what revenues we will generate from the corporate income tax, small business or large business, out for five years. I've just said that we don't do that. Again, this is a technical issue, but if the government were to ask us to do it, then of course we would do it. You mentioned the federal government. They've chosen to do it once again. Everybody did it back in the 1980s, and they were as useless then as they will probably prove to be now.

**Mr Phillips:** With all due respect, the Harris government commented on them, said: "We've looked at your numbers. You're going to have a surplus. Cut taxes."

**Dr Purchase:** We did. That's true.



**Mr Phillips:** So the government commented on numbers that they thought were useless?

**Dr Purchase:** No. You asked me for a technical perspective on five-year forecasts. I don't think they are particularly relevant. If you've ever looked at the probability of anyone getting it right, out five years, it's extremely low. These things are not useful exercises, in my point of view. Nonetheless, the federal government has chosen to do it. Incidentally, as I understand it, Mr Martin was very reluctant to do this. He had seen it done in the 1980s. It did not particularly help the federal government in its budgeting activities in the 1980s—

**Mr Phillips:** I'm sorry. Why then would we have—

**The Vice-Chair:** Please just let him complete.

**Dr Purchase:** In the 1990s, they are now going back to it, largely I suppose because it helped to frame a debate about potential surpluses. We simply took their information, their forecasts and what they say, given their best estimates of what the future is going to be—since they were involved in that exercise, demonstrating what they could do and what they couldn't do, we simply showed what they could do, given their forecasts, not ours: that they could in fact cut taxes, as we suggested, in terms of the employment insurance premiums and restore health care funding, as all the provinces had suggested, not just Ontario, and still wind up with a surplus. That's using their forecasts, not using our forecasts or engaging in any way in that exercise in a technical sense by producing new numbers or different numbers than what their technicians had done.

**The Vice-Chair:** Thank you very much. Fifteen minutes have been consumed. Would you like to skip or would you like to take your 15 minutes, Mr Christopherson?

**Mr David Christopherson (Hamilton West):** At least part of it. A number of things. First of all, Chair, I want to go on the record as saying what a sham I think this process is, and it's not the first bill like that. As I understand it, there's still a requirement that amendments be in before we hold our next meeting, which is just an absolute joke, and the fact that we're not having anyone come in, including the minister. I'm sure Mr Phillips made this point. If there's no one here to answer political questions, this is fine for a technical briefing, but quite frankly we could have done this with our staff talking to his staff. Involving the politicians with the staff only as the whole process of committee work is just such a joke and is obviously meant to lead to nothing.

Having said that, I'll take some of the 15 minutes to raise a couple of issues, but again I want to recognize that I don't and my caucus does not consider this to be any kind of legitimate give and take at a political level, which is what should be happening, on the whole issue of the budget.

Just a couple of things if I can, through you, Chair. Number one, I'd say hello to former friends from the ministry, and I won't limit anybody's career by naming names. You know who you are. We'll leave it at that.

First of all is the breaking news that the auto pact may indeed be on the scrap heap according to the federal

minister in terms of the clip I saw last evening. We know that during this whole process in the ramp-up to the budget, during our pre-budget consultations, virtually every economist who came forward, whether they were considered to be on the right, the left or the middle of the political spectrum, acknowledged that much of our current economic boom is due to the American economic boom, specifically the auto sector, and a recognition that if there's a downturn or any kind of damage to the auto sector, we're going to be in serious trouble. Now we've got this ruling and a federal minister saying that basically the auto pact is dead.

I'm wondering if you'd be good enough to comment on how you see that affecting our future, given the absolutely critical importance of the auto industry to our current economic benefit.

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**Mr Graham Stoodley:** Mr Chair, I have a question for the committee. I understand fully that we will answer and need to answer what is appropriate to bring before the committee in the discussion of this bill. My question simply, because it relates to the degree of preparedness of my colleagues and I in coming to the committee, is if the questions relate to matters totally outside the bill as, for example, the effect of the auto pact—a perfectly valid economic question, and no doubt one on which we would like, in due course, to make a statement—my concern is that we wouldn't have prepared for it and it doesn't relate to any provision of this bill. I fully understand that it's your ruling and your decision as to how wide-ranging this discussion should be and as to how hypothetically we, as staff members, may respond to the committee. I raise the issue with you only because I fear we won't be very well prepared to answer such questions.

**The Vice-Chair:** Your point is well taken, and you don't have to respond if you don't want to. The committee hearing is based on this particular bill. You may have some feelings on the question. If you don't, I know, as Mr Christopherson just made reference to, it was just on the news last night, so I can certainly appreciate your difficulty in responding to it.

**Dr Purchase:** Mr Chair, if I may, I will respond in part to it. But my colleague's intervention was appropriate in the sense that I haven't yet been fully briefed on the implications of the auto pact. I was aware, obviously, of the difficulty that the auto pact was in with respect to the World Trade Organization's rules. I did have a briefing some months ago about the options that may be before the federal government now to respond to this. As I recollect, it's not as dire an implication now as it perhaps would have been in the 1970s with respect to that particular agreement. But I don't want to minimize it, and I should be careful about how much I would say about it.

I did want, however, to comment on the issue that you raised with respect to our dependence on US exports. As you know, exports to the United States are roughly 90% of our total exports. Autos, I believe, are about 50% of



that or in that neighbourhood. My staff would correct me with the precise numbers, but I'm probably close.

No one would say for a second that autos are not a very important part of the Ontario economy. I think something like 18% of manufacturing employment is in autos. Now, employment in autos is a lot less of the provincial economy; the share of the provincial economy is a little over 3%.

Those are some numbers to give you a little bit of flavour for the size of the sector we're talking about. As I say, I don't know how important per se the auto pact is now, relative to other issues, given that we have Toyota and Honda and so forth all located here in Ontario, something we didn't have when we started with the auto pact. Having said all that, it is repeated many times, and I think it's incorrect. Technically we should try to get this right.

In terms of the growth of this province, the sources of growth in the province over the last five years, since 1995, the export sector, net exports—I'm taking into account exports going to the same ports—have contributed only about 16% of the growth. This is a fact. The domestic economy has generated 84% of the growth in the Ontario economy.

Attribute that to what you may. The fact is that it is not true that we are entirely or wholly dependent on growth in the United States or in any one sector for the growth of the Ontario economy. I see this repeated over and over. And you mentioned, Mr Christopherson, many economists—many economists who should know better, it seems to me—have repeated this in public. It is simply not factually correct. I just put that on the record in response to that.

**Mr Christopherson:** If I can, then, I would first of all argue that it's very much germane to Bill 72, given that they're talking about tax reductions and what that's going to do in terms of the economy and therefore talking about revenue. When we talk about revenue, we've got to be talking about exports and imports. I don't know how anybody could sever this off and say that this is not a part of the discussion of Bill 72. I can understand that you may not be prepared today to give detailed comment on something that's late-breaking news but to suggest that an issue that big and has such a play in our economy is not relevant to a major budget bill, I have to confess with great respect, is a bit of a stretch.

**Mr Young:** Mr Chair, I think if he's going to quote Dr Purchase, he should do it accurately. He didn't say it was not relevant.

**The Vice-Chair:** No, Mr Christopherson has the floor.

**Mr Christopherson:** Thank you.

**Mr Young:** We have to be fair to the individuals who are coming today to present information.

**Mr Christopherson:** Are we on their time or my time?

**The Vice-Chair:** You're on your time.

**Mr Christopherson:** Thank you, Chair.

**Mr Young:** You said you didn't need all your time anyway.

**Mr Christopherson:** Chair, try to control your colleagues there, Chair.

**The Vice-Chair:** I'm doing my best.

**Mr Christopherson:** I know it's difficult.

Anyway, I still would make the point that I think it's very relevant to the bill that's in front of us. With regard to your comments, Dr Purchase, again, this is where it's difficult. This is staff. This is debate that we ought to be having with a politician—there are a lot of things I want to say right now, and I don't feel that it's appropriately said to staff—but of course the government's made sure it's not going to happen.

What really ought to happen is, following this kind of presentation we ought to give these very economists who disagree with Dr Purchase's criticism a chance to make a comment on their own. That's not going to happen, because the only people who are coming in here are the minister's staff and the bureaucrats from the staff. It's just so unfair to everyone involved here.

But I do want to state that I suspect, given the amount of lobbying that went on a few years ago, as I recall, from both the Canadian Auto Workers Union and the auto makers themselves, around any kind of reduction or elimination of some of these federal tariffs, they consider it to be pretty important and not just something that was relevant in the 1970s. It seems to me there's at least a legitimate debate, rather than dismissing it saying, "They're wrong." It seems to me there's at least a credible democratic debate that one can have around this. I'll ask another question if you want to comment in response; I see you're anxious. Please feel free.

The second thing I wanted to ask about specifically was the development of the policy—as much as you can, again, not being the political masters in this case—around the \$200 rebate that leaves out everyone who did not pay enough income tax to generate an amount of \$200 or a portion thereof, thereby leaving out the people in society who, arguably, could use the \$200 the most and for whom \$200 might make a difference. Can you comment on the thinking behind eliminating about a million people from receiving the \$200, given that they need it most?

**Dr Purchase:** First, Mr Christopherson, I didn't mean to imply for a second that the issue around the auto pact and the WTO was not potentially important. I thought I was careful to couch my remarks in saying I really don't know. I remember being briefed on it at one point. The issue isn't as big now as it would have been several years ago, largely because we have other trade agreements in place which we did not have at the time we had the auto pact. I would be happy to talk to the economists and the auto workers and so forth, whom incidentally we quoted in budget paper E on the beneficial effects of corporate income tax cuts for that sector and for all sectors—and for workers, not just for corporate capital, if you like. So we relied very heavily certainly on that study and other studies in taking our own look at these issues.

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I was only really responding in terms of the public debate between those economists who claim that we have

been totally dependent for our growth on what's going on in the US. That's simply not true.

**Mr Christopherson:** I don't think anybody was arguing about "totally"; I think they were arguing—

**The Vice-Chair:** Let Dr Purchase answer.

**Dr Purchase:** What I'm saying is, the truth is statistically the other way: 84% of the growth was domestically generated, not generated in the export sector.

Coming back to the second question: The \$200 rebate is for those people who paid any Ontario tax. You had to pay in order to be able to get a refund. Even if you paid \$5, you'll get \$25 back, which is our cut-off point for a refund. This is a refund of tax, so if you didn't pay tax, you don't get a refund.

**Mr Christopherson:** Thank you; I appreciate that.

Just on the other thing—

**The Vice-Chair:** Very quickly—about 30 seconds.

**Mr Christopherson:** OK. Then let me just say that anybody who knows me could probably imagine what my responses would be and what I'd like them to be, but they would be totally unfair, given that this is staff. Again I want to emphasize the minister ought to be here to answer these questions, because this is just not the kind of debate that is serving anybody in this province.

**The Vice-Chair:** Thank you, Mr Christopherson. To the government benches. Who would like to lead off?

**Mr Young:** I wonder if I may, Mr Chair. I do appreciate this opportunity.

By way of preamble to my question, let me note that some of the previous questioners have commented upon the fact that this government made some submissions, formally and otherwise, to the federal government, in anticipation of their most recent budget. While it is accurate to suggest that this government asked that taxes be lowered as part of the federal government's announcements relating to the budget, unfortunately there was no reference to date at this committee of the fact that we also asked that health care funding be increased substantially. That balance is important to recall in many of the discussions that have taken place here today, not only with reference to our submissions to the federal government but also in our announcements relating to our own budget and other policies; that balance has always been there and continues to be there.

There has also been a great deal of discussion this morning, particularly coming from Mr Phillips as one of the representatives of the Liberal Party today, about predictions and forecasts, prognostications. I understand why it is of some import for him to want to attach a particular figure to this initiative or to that initiative. I'm certain he has done that in the past. I have a recollection, back in November of 1998, of Mr Phillips, or certainly some of his party members, predicting lower economic growth. I think a 2.5% figure was utilized. Fortunately, 5.4%, I believe, was the figure that actually came forward. Certainly when members of the opposition throw around figures, it's important that they ensure that they are figures that are based on precedents and performance.

What I want to know from Dr Purchase and his colleagues who are here today is, where do we look in order to determine a likely outcome of these initiatives? Ireland is quite often used as an example of a country that has taken some innovative measures towards tax cuts—lowering corporate tax rates, continuing to have a social structure. I want to know if that was considered in the deliberations that Dr Purchase and others were involved in leading up to the budget announcements.

**Dr Purchase:** Yes. Mr Young, as you know, in budget paper E we have documented a number of studies, and there are many more studies in increasing number, that are moving on to this matter of the profound productivity improvements that can take place with fairly large and dramatic reductions of the corporate income tax. Certainly that was the case in Ireland, which is maybe the most spectacular one. Ireland started off well behind other countries in Europe, well back of England, and has now simply caught up, has closed the gap. Meanwhile, I think this issue of productivity in Canada vis-à-vis productivity, performance, real income, if you like, in Canada vis-à-vis the United States is a major problem for us. The United States has had an enormous productivity improvement relative to us, so we've been losing ground overall in the 1990s and only in recent years have begun to close the gap a little bit again.

Most of the work on corporate income taxes, and I might ask Mr Howell to say a few words about this as well, is really going to point to several areas of benefit. It's clear that if you improve the after-tax rate of return on capital, you're going to increase the amount of capital investment. Increasing the amount of capital investment provides labour with a great deal more equipment to work with and enhances their productivity and enhances their pay in the long run as a result. So there's that immediate effect.

Also, because we're living now in a world, for better or worse, where our capital is extremely mobile internationally, we simply have to care about our competitiveness—tax competitiveness, if you like—vis-à-vis other jurisdictions. If we are wildly out, then it will adversely affect in the long run the amount of capital that will choose to locate in Canada, and in Ontario in particular.

That, I think, is well documented by any number of studies. There is an increasing number of studies by the C.D. Howe Institute. I mentioned the study by Jim Stanford, who I think is the chief economist for the Canadian Auto Workers, who is also on record as saying that corporate tax reductions are of great benefit to the real incomes of workers.

We think there is sufficient analytic evidence, done by different sources, whose integrity in this regard is not to be impugned, I think, to warrant the kinds of responses that are in this budget.

**Mr Young:** Did one of your colleagues wish to comment?

**Mr Philip Howell:** I'll add a couple of comments to that.



One thing that's worth noting in the context of the Irish experience is that the corporate tax cuts were only one part of a fairly comprehensive program to promote economic development that also included substantial personal income tax cuts and also had a focus on boosting infrastructure spending. So it was not just the corporate tax cuts that were responsible for the substantial gain in growth in Ireland.

I might also note that the government's revenue gains over the last decade in Ireland have been substantial and far outweighed the revenues associated with the cost of the tax cuts.

Another thing that was interesting in the work we did was to find that in jurisdictions like the Scandinavian countries, which have a reputation for very high levels of publicly funded social programs, it was noteworthy that in all cases their corporate tax rates, their combined corporate tax rates, were in the 20% to 25% range, the kind of number we'd like to move towards in Ontario. I think that underscores their recognition of the important role, especially in small economies and especially in periods when capital is moved very easily, to put in place conditions that ensure businesses will be able to generate the types of after-tax returns that will encourage them to keep investing in that jurisdiction and creating more jobs.

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**Mr Young:** If I may—I know my colleagues have some questions as well—in citing the success of Ontario's economy over the last year, I mentioned 5.4%. Was that the net growth rate or are we just looking at the last quarter when we talk in terms of 5.4%?

**Mr Howell:** It's 5.7% for the year.

**Mr Young:** Annualized?

**Mr Howell:** Yes, that's the annual.

**Mr Young:** The other question I want to pose before I yield to my colleagues is the role of small businesses in what is a very large economy of this province. I wonder if I can get the presenters to comment upon that. They have been asked some questions about the five-year set of initiatives that have been set out in the budget announcements. I wonder if we can hear what role it is anticipated small businesses will play as part of this province's economy.

**Dr Purchase:** I will ask Mr Howell to respond to that.

**Mr Howell:** Small business has always been an important source of job creation in any economy, and equally importantly they're the source of future large companies, obviously. Not all small businesses grow into large businesses, but nevertheless ensuring an environment in which businesses are able to start up and prosper and expand is an important economic development objective.

In that context, with small businesses, one of the reasons they've always had lower tax rates is that you want to not only encourage entrepreneurship but ensure there are funds available for reinvestment by these businesses as they expand. Currently in Ontario over 40% of employment is accounted for in the small business sector, so it's clear that it's an extremely important part of the economy. While it is true that in the last few

years, with the strength and growth of the economy, many large businesses have been expanding, it's also true that small businesses historically continue to be a primary source of job creation in the province.

**Mr Ted Arnott (Waterloo-Wellington):** This Bill 74 proposes fairly substantial cuts in corporate income tax rates, as has been discussed—

**Interjection:** Bill 72.

**Mr Arnott:** Bill 74 is on my mind; people are phoning me about it and sending me e-mails.

It proposes fairly substantial reductions in corporate income tax rates, which has been discussed. Of course, it continues to appear that the opposition parties reject fundamentally the stimulative effect that has been created in the past five years as a result of income tax reductions in Ontario.

It's interesting, as you pointed out, in budget paper E, the effect of tax cuts in Ireland in recent years. You talked about the corporate income tax rates in three of the Scandinavian countries—Norway, the Netherlands and Denmark—that we traditionally think of as being perhaps more socialistic in terms of their economies, yet they have considerably lower corporate income tax rates in those countries: 28%, 35% and 32%. You indicated in the budget paper that the rate is about 45% cumulatively in Canada.

You've also talked about how the new orientation in Ireland to cut income tax rates, whether it be corporate income tax or personal income tax, has led to a dramatic turnaround in that country. The leader of the national Conservative Party, Joe Clark, has talked about Ireland in some of his recent speeches. He is someone I continue to support; I'm proud to say that. I think you've highlighted something that's very significant.

When we talked about this in the last round, you mentioned there were other factors at play in Ireland that you thought could be identified as reasons for that growth, not just tax cuts. One of you talked about infrastructure spending. Would you care to elaborate on that a little bit, because I think it's important to see the whole picture? It appears from what we've seen here that income tax rate reductions have contributed significantly. You said there might be other factors. We don't want to just look at this in isolation.

**The Vice-Chair:** You have about one minute for the response.

**Dr Purchase:** Mr Howell may have something to say, but as indicated in that budget paper and in the government's overall economic and fiscal strategy, it's not just about efficient government or keeping the costs of government programs to the most efficient or effective level; it's also about reinvesting in the core strategic infrastructure of the province: in roads, hospitals, post-secondary education and research and development. The budget did do all those things. The government has indicated its commitment through SuperBuild Corp over a period of five years.

It is absolutely key that we continue to invest in those things to support the expansion of the economy that has happened and we anticipate will continue to happen in



response to the corporate tax cuts and the personal income tax cuts.

**The Vice-Chair:** We move on to the official opposition.

**Mr Kwinter:** Again I have to qualify my remarks. It's unfortunate that I have ask you questions that may have a bit of a political slant to them—I have no choice—but I want to try to keep it as even-handed as I can. You talked about your projections and you can't go five years out because two years are possibly manageable. Why were you not able to predict the surpluses we had so that the budget could've been balanced last year before it happened, as opposed to after it happened where they went back and said, "We had these revenues that we had no idea were coming in; we're going to go back and balance last year's budget," which I think is unprecedented? I've never heard of that before, where you go back and balance the budget.

**Dr Purchase:** That's a legitimate question to ask of us. Why did we not know? The answer is that the way we do our forecasts, to reassure the public and all the members of the Legislature that they're getting the straight goods, we take the consensus of private sector forecasters and we shave off a bit and adopt that as our forecast, so we're never very far from what everyone else in the community is saying, even if inside we think, "They're probably wrong." What we want is to be prudent and also be credible in what we're telling the Legislature is our best guess about the future.

The fact that we were wrong and so dramatically wrong—one nice thing is that when you're wrong, you're wrong because everybody else is wrong at the same time. Why were they wrong? Why were economists so wrong about last year? Our original forecast was 3.6%, in that area, of real growth. We came in at 5.7%. Actually the nominal GDP was even more dramatically up.

1110

There are two explanations for why everyone got it so wrong. The first is that in the fall of 1998, if you'll recall, there was the Asian crisis when all the Asian Tigers' economies suddenly went flat. Output was falling dramatically in those countries. Then there was the international capital market crisis with Long-Term Capital, the major US financial house that got itself in very big trouble. All the heavy hitters on the US financial scene came to the rescue because they feared that if they did not—this was all under the general direction of the Federal Reserve in the United States—they could have a worldwide financial calamity on their hands.

That really chilled out everybody. Everyone thought, "Oh God, here it comes, the economy is about to go into a stall." The Federal Reserve, if you recall, at that time had a 75-basis-point reduction of interest rates, 25 basis points at a time, to help support the economy and so forth. Then suddenly, four months later, everything is not only fine but growth is steaming ahead.

It turned out that the problems in the Asian economy, perversely, helped the American economy and the developed world's economy because it kept a lid on

prices. It didn't impact at all on aggregate demand in the industrial world. That kept booming ahead to the point that you had very strong consumption spending growth and investment spending growth with very little pressure on prices. With an accommodative monetary policy, suddenly our economy grows at 5.7%

**Mr Kwinter:** I'd like to ask you another question; I know my colleague wants to ask you another question. In your presentation to us, you talked about cutting corporate income tax rates. It seems to me the *raison d'être* that has been given to you is to enhance Ontario's competitiveness. When I was the Minister of Industry, Trade and Technology, I used to get on a regular basis from the Ministry of Finance a spreadsheet showing our competitive tax situation vis-à-vis our competitors, basically the Great Lakes American states, Quebec: Is that still provided?

**Dr Purchase:** We certainly have that. I assume we provide the ministry with that information. I think they publish it in a document that—

**Mr Kwinter:** The point I'm making is that when I used to get that, it used to show that we were very competitive, all things in. I used to use it all the time when I was discussing with people why they should be investing in Ontario. What has happened since then that has made us non-competitive, that means we have to reduce our taxes?

**Dr Purchase:** Quite a few things have happened since then. The US economy has had a very dramatic improvement in productivity performance in the 1990s. This is a movable feast. You have to keep moving along with the competitors. On the tax front they have also moved in the United States to reduce taxes. There's talk about further tax reductions federally in the United States, depending on who wins the presidential election. Michigan has a proposal on a single business tax to eliminate corporate tax altogether.

These things are happening in the United States now. There are, as I say, a number of reasons, all of which compound to make us concerned about our tax competitiveness. It isn't saying, "Let's just stay equal." The Irish example shows that there is some benefit to getting ahead if you can get ahead.

**Mr Phillips:** This is a frustrating exercise, because the issues that we're keenly interested in are policy issues, and it is grossly unfair to the staff to ask them to deal with the policy issues, because they won't and they can't.

I understand the corporate tax rate decrease, and it is a moving target. Michigan will reduce it—here is no question about it—and New York State will. We're chasing a moving target and it's a race to the bottom on the corporate side. They have the same Irish statistics that we do. We'll be back next year with them dropping and us dropping. That's not the issue. I would point out that the Denmark, Norway and Netherlands situation is part of the policy discussion. As you point out in the document, they've cut corporate taxes, but their overall tax burden is higher than ours. So they make it up elsewhere with some other taxes. The discussion we should be having here is,

OK, we'll cut the corporate taxes. We should expect that next year we'll be back again looking at them, because, as I say, they're all running surpluses. They're all going to change.

I would love a discussion on the importance of exports. I think I fundamentally disagree with you on the importance of exports. You've said that 84% of Ontario's growth is domestic spending. I have a different view of it. You subtract imports from exports. I'd love to get some other economists in here, because if you really believe that exports are only 16% of the economy, I think we've got a problem. I think it's fundamentally driving our policy now, but if the senior staff at the ministry don't think that and others do, we'd better have a debate and try and join that issue. If our policy is being driven by the belief that exports aren't really that important, "They're only 16%," we have a huge problem.

The debate here should have been around—all right, we're making the decision to cut corporate taxes. Once you start down that road, I think you're on the road where it will just snowball down. In my opinion, we're going to have to make it up elsewhere to fund our health care system. That's the policy debate. Does it mean sales taxes are going to have to go up? If corporate taxes are going to go down and you say the Irish experience is that revenue will go up, I'd love to see us model that one for ourselves and say, "All right, we're not worried about the corporate taxes, because, overall, this thing is going to be like a money-making machine."

There is huge pressure on us to reduce income taxes because of the "brain drain," and the business community is putting enormous pressure on. If corporate taxes and income taxes are going to be lower than the US or equal to the US, where do we make it up? It's not the federal government, because Harris has said, "Cut income tax, cut corporate tax." There's only one taxpayer, and that's going to be cut.

The bill is quite technical. I have maybe one or two questions on the bill. It's the whole policy side. All I do is get angry with the deputy when I think that the government owes the public a discussion of: "Here's where we're heading. We have decided that we have to get our corporate taxes down and we're going to have to keep them below the neighbouring states." Believe me, that will be challenging. "For the best-off in our province, we're going to have to give them more tax breaks." That's capital gains. In the R and D area, I gather it's \$100,000 tax-free, costing \$70 million. OK. Now, let's debate how we make that up.

This is an exercise in frustration for me, because that's the debate I think we should be having, not the formula in Bill 72 that determines the corporate tax rate for fiscal year 2000. We are going to frustrate ourselves. I don't know where the forum is going to be for us to have that debate because it's clearly not here, unfortunately.

Having said that, I do have a technical question on the tax rebate. On page 28 of their blue books it says, "The provincial minister will send the individual a notice of entitlement, a notice of the right to appeal, and pay a rebate." I gather that's one mailing that will go out with

the \$200 or whatever refund in it. Is it the expectation that the minister will send a notice out?

1120

**Mr Sweeting:** Yes. We're currently in discussion with the Canada Customs and Revenue Agency about the actual mechanics of the rebate. But certainly the act requires that the person be informed of the size of rebate and why it was that size, so that they have an opportunity to, if necessary, challenge the determination process, the administration process for how much rebate they're entitled to.

**Mr Phillips:** Just to go back on my overall comment: As I say, we had a technical briefing from the staff and we asked our technical questions then. This was to be around a policy discussion of where we're heading from a policy point of view.

I happen to think this export issue and the implications on our tax policy is the most important economic issue, and we need a debate. We're heading down the road—without the debate taking place—of, "All right, where do we find the funds for our health care system?" I don't know whether you, Deputy, can be helpful to us in terms of where does the future money come from for health care.

**Dr Purchase:** I would like to first of all say that although I said that 16% of our growth in the last five years has come from net exports, I don't say that to minimize in any way the importance of exports to the Ontario economy, particularly, in that regard, the importance of exports to the United States. As I said, they are 90% of our international exports. So we are very conscious of our competitive position vis-à-vis the United States, just as I'm sure Ireland's target wasn't North America, their target was continental Europe.

We know the larger economy we live in. In our case it's the North American economy and in particular we are, like it or not, in competition with largely the Great Lakes states. They're part of what I would call the Great Lakes economy. So, Mr Phillips, I would agree with you and your sentiment that the matter of exports to the United States is of fundamental importance to the Ontario economy. Nothing in my remarks should be taken to intimate for a second that I don't think that is the case.

With respect to where does the future money come from to pay for important social programs, not just health care but education and so forth, I think that is also a legitimate and important issue. At the end of the day, we tax not just because we like to tax. We tax to raise money, principally; otherwise, I would presume that no tax would be the most appropriate thing.

**The Vice-Chair:** I think we're going to have to move on to the third party.

**Mr Christopherson:** Again, my comments and my discussions need to be of a political nature. It would be totally unfair to the staff who are present. With that, my hands are tied. There's nothing further I can do to advocate for or discuss the issues that matter to me and my caucus.



**The Vice-Chair:** We'll move on to the government caucus. Who would like to respond? Was Mr Arnott finished?

**Mr Young:** I'll jump back in, and I think some of my colleagues will join us later. By way of a historical perspective and in an effort to try to learn from what has gone on in this province, particularly over the last five years since Mr Harris was elected as Premier, I wanted to get Dr Purchase and his colleagues to comment on what has happened to revenue within this province, whether we have seen a decline overall or whether we have seen growth since this government started to cut taxes in a very significant way. Have we made up the money that would otherwise have been gained through the numerous taxes that were cut?

**Mr Howell:** Over the past five years, total revenues have increased I believe by \$11.7 billion.

**Mr Young:** Sorry. What was that number?

**Mr Howell:** It was \$11.7 billion. Again, going back to the Irish experience and other jurisdictions where similar experiences have occurred, with bold tax reduction strategies there is a very positive impact on economic growth. The stronger economic growth and the accompanying increases in employment obviously broaden the base against which tax revenues are assessed and partially explain the increased revenue.

**Mr Young:** Do I have it right then, that even with all of the tax cuts, the Ontario coffers have been increased by \$11.7 billion?

**Mr Howell:** Yes.

**Mr Young:** Are you in a position to also comment upon whether health care funding over that same period has increased or decreased within this province?

**Mr Howell:** Health care funding has increased over that period.

**Mr Young:** Do you have a figure that you can share with us today?

**Dr Purchase:** It's currently \$22 billion and I believe it was \$17 billion.

**Mr Young:** So with all these tax cuts, we've seen increased revenue and we've seen increased spending on health care.

**Dr Purchase:** That's correct.

**Mr Young:** I thought that was the case but I appreciate the particulars that you provided to us today.

If I can change gears to some degree and talk about another initiative that is outlined in the budget papers, and that is the rebate or taxpayer dividend that will see taxpayers receive back up to the first \$200 in taxes that they paid last year: Can you help us with any similar initiative that has been conducted by another government? Is there any precedent for this sort of rebate?

**Mr Sweeting:** Yes, there is a precedent back in the 1970s when the federal government delivered cheques to residents of Quebec directly, of up to \$85 each. There had been an agreement worked out between the federal government and the provinces to deliver a federal reduction via the income tax systems. In the case of Quebec, the federal government used a direct sales tax rebate

mechanism in order to compensate the people of Quebec and provide them with a rebate of their sales tax.

**Mr Young:** I believe it was a Liberal government that was in power at the time, but what you're saying is that they used a similar sort of rebate program to return money to the residents of Quebec.

**Mr Sweeting:** Yes.

**Mr Young:** Sorry. Do I have that right?

**Mr Sweeting:** Yes, the individual cheques were mailed to every Quebecer.

**Mr Young:** I'm embarrassed to say this as a student of politics but my memory is faulty. Can you help me as to who was the finance minister at that time?

**Mr Sweeting:** I think it might have been Mr Chrétien.

**Mr Young:** I thought it might have been but I wasn't sure. The current Prime Minister embarked upon a similar endeavour?

**Mr Sweeting:** Mr Chrétien, I think it was.

**The Vice-Chair:** Mr Kells, go ahead.

1130

**Mr Morley Kells (Etobicoke-Lakeshore):** Actually, this is more of a personal inquiry. In one of my previous incarnations I was president of the Urban Development Institute and we were down here pretty regularly trying to get that land transfer tax lifted. Of course, I'm aware of what we've done as a government and I also realize that it's a great help to first-time homebuyers, naturally, and also a great help to the industry. I'm just wondering what scale or what amount of money annually had we been taking in prior to this reduction or our lifting it, our finally taking it off. What kind of revenues are we talking about?

**Mr Sweeting:** I don't have the figure. I'm sure we can get it for the annual take from the land transfer tax. I can tell you that since the refund program has started it has reduced land transfer tax or provided benefits to first-time purchasers of homes of \$82 million in refunded land transfer tax. That has been effected by 62,000 people. The land transfer tax itself is \$486 million. That's how much was collected overall from land transfer tax.

**Mr Kells:** You weren't up against it, but yesterday we had the real estate association running around the building. Naturally, they feel that they'd like this largesse to maybe be expanded to take in resales. It seems to me that's probably out of order, obviously, because it could go on forever, or as you know, it would go on forever. What kind of money would we be talking about if we were in the kind of good year that this appears to have been, if you were ever to do it in the area of resales? I'm not expecting you to be precise for obvious reasons, you can't be, but on a scale what would we be talking about?

**Mr Sweeting:** I don't have a good sense of that, Mr Kells. It's clearly larger. Used home sales are in excess of new home sales. We do feel that the stimulation to construct new homes has a lot higher economic spin-off than does the support for resale purchases. Part of it is economic-based in terms of the policy for permanentizing land transfer tax rebates.



**Mr Kells:** I couldn't agree more, and actually, I think I used similar words to tell the real estate people what I thought of their chances.

Just before I finish, I would like to do a little sidestep into something else that's bothering me, and I know that down the road, the ministry will probably be faced with this. It's interesting that the members opposite mentioned the fact that we don't do five-year forecasts in revenue, only two. I have a concern that when it comes to Olympic guarantees and waterfront development down the road we're going to be asked to put monies up over a much longer period of time. I wonder, if we don't forecast revenue, how are we going to forecast our ability to do things like \$2-billion guarantees and even greater amounts of money in the area of the waterfront? How are we going to look at that, even under something called SuperBuild?

I think it's going to come up and it's an interesting question. I wonder, from our own government's point of view, how the Ministry of Finance is going to come to grips with that. I hope it never has to, by the way, but if it should.

**Dr Purchase:** When and if that happens, then we'll take a look at the implications. We know, for example, that our health care spending isn't going down, education spending isn't going down. These things are all out there in our future. While it may not sound wholly satisfactory to you at the present time, believe me, we will deal with that issue when it comes up, and look at the implication that it has for us. We'll have a complete and full debate internally with the government on the potential implications for our finances at that time.

**Mr Kells:** I appreciate your answer. Again, from my own point of view, I'm wondering if we should drift into these things or make a conscious decision to get into these things where the province could ultimately be, if you will, the mortgage holder of some down-the-road, fairly large expenses. Do we have anything in the past remotely that would compare to that kind of a scenario, where you make an open-ended five- or 10-year commitment to costs for the Ontario taxpayer?

**Dr Purchase:** I really didn't come prepared to respond. I don't know. I can't think of anything right off hand, but that doesn't mean that there aren't—

**Mr Kells:** I appreciate your answer. Actually, from the political point of view, where I'm coming from, I can't think of an answer. I know that the Ministry of Finance must be looking at these potential demands that could be placed on you in this area. If you aren't prepared to give an answer, and I can understand why—I'm sure that down the road you're going to be asked—I was wondering, are there any deliberations taking place, for example, on the Fung task force report? The implications there are huge.

**Dr Purchase:** Yes, certainly all of that is being reviewed.

**Mrs Tina R. Molinari (Thornhill):** I just want to focus on the made-in-Ontario tax system. Can you talk a little bit about the impact on a separate income tax

system and the transparency the tax burden will place on Ontarians?

**Dr Purchase:** I'm sorry, I didn't quite—

**Mrs Molinari:** The made-for-Ontario tax system, the separating, the impact this move will have and the transparency of the tax burden that we place on Ontarians.

**Mr Sweeting:** The new system will involve the application of Ontario income tax rates to taxable income directly. Previously the Ontario income tax system was set as a percentage of federal income tax, so the taxpayers calculated their taxable income, then they calculated federal tax based on federal brackets and federal rates, and then the Ontario tax was simply a portion of that result. There are certain programs the province has brought in to try and modify that with respect to objectives that the government has for low-income relief and higher income taxes, but essentially, ours was masked in behind the federal system. With the new system, they will clearly see Ontario's rates of tax in the progression, how it compares to federal rates that are applied to the same income, and of course with every other province apparently going to move to a tax-on-income bracket, there will be a clearer transparency across. So it will be clearer how governments are determining their revenues and what is the relationship between levels of income at the provincial level.

**Mrs Molinari:** So this will make it more clear to those who are claiming that they haven't seen any tax reduction. Ontario has been reducing taxes for the last five years and there are some who are claiming they haven't seen it. If the feds increase the taxes and Ontario decreases the taxes, then at the end of the day they don't know where it is, but this will clarify what Ontario is doing compared to what the federal government is doing?

**Mr Sweeting:** That's true. The end result of what tax you pay in Ontario, to Ontario for personal income tax purposes, will reflect a determination by the government of Ontario of how big credits should be, whether they should be higher than they were in previous years, reductions in tax, whether rates should be lowered, whether they should be lowered in all brackets or in particular brackets and whether or not brackets should be widened so that, say, more income is taxed at a lower rate than was the case previously. All of that will be clear and comparable to the year before. Currently it is very difficult for people to see those differences through the tax-on-tax system.

**The Vice-Chair:** You have another minute here.

1140

**Mr Arnott:** Mr Phillips asked an interesting question about health funding. It's his thesis that as we reduce corporate income taxes and personal income taxes, our ability to fund the health care system is diminished, if I'm not mistaken. He can correct me if I'm wrong but I think that's the point he's making. I think it's important to point out that when we took office in 1995 the expenditure on health care was \$17.4 billion a year. This year it's budgeted to be \$22 billion, which is an increase—I don't know what the percentage is—in excess

of 20% of the health expenditure since we took office. At the same time, the federal government has reduced transfers to the provinces, through the program that supports health care called the Canada health and social transfer, at an annual reduction of \$1.7 billion.

This week, our health minister was at a health ministers' conference and the provinces unanimously, all 10 provinces including the Liberal government in Newfoundland, the government of Brian Tobin, supported our minister's call for complete restoration of the reduced health transfers through the Canada health and social transfer.

It is certainly the contention of the government that, assuming the economy continues to grow, the expenditure for health that's budgeted at \$22 billion this year is absolutely secure in spite of the fact that the federal government has persisted in its policy of cutting our health transfers. Am I correct in that?

**Dr Purchase:** Yes, that's correct. In fact, the government's target that was laid out in the Blueprint of—someone help me here—

**Mr Sweeting:** It's \$22.7 billion

**Dr Purchase:** —\$22.7 billion will obviously, in all probability, be reached next year.

**The Vice-Chair:** That sort of runs out the time allocated. Now, we have one party that skipped, did not consume their rotation. I'm in your hands. Would you like to take five minutes for each party? I know we're into discussion for this afternoon. I have no structure for that, if you want to discuss that kind of structure.

**Mr Phillips:** I'd like another five minutes, please.

**The Vice-Chair:** You'd like another five minutes?

**Mr Young:** Why don't we each take another five minutes?

**The Vice-Chair:** I'm happy with that, sure. I'll be generous with the five minutes and that'll probably take us up to voting time.

**Mr Phillips:** Thank you. Just to again say what I said a couple of times, and that is, I really believe that the province needs a policy discussion on tax policy. We, the federal government, governments around the world, are looking at reducing corporate taxes. As I say, we're going to be chasing a moving target. I think it has profound implications for us. With the brain drain we're looking at pressure on income tax and we have to figure out how we therefore fund our essential services. That's not a partisan comment, it's just reality, and I regret that we haven't found the format for that.

We were told by the government caucus to use question period. I really resent that. I just don't think question period is designed for a discussion of important, fundamental policy issues. We had better have it soon.

But back to things that I can ask you and you can answer, I hope. The government announced a 20% cut in personal income tax a year ago and the budget, on page 65, restates that. Last year's budget implemented the first five percentage points of it. How far are we now with this budget to the full implementation of the 20% cut and how much is still to go?

**Dr Purchase:** I'm trying to remember—do you remember the numbers on—

**Mr Sweeting:** I don't remember the numbers off hand. I do remember that the minister's expectation in the budget was that by next year the 20% will be met with the 2001 budget. I don't remember offhand the measurement of the progress so far. I mean, there have been—

**Mr Phillips:** Is that something you could give the committee? I'm just anxious to know—

**Dr Purchase:** Could I get back to you? I can't recall just what the total number was on that but I think I can supply you with that information.

**Mr Phillips:** Is there any indication how the remaining is to be implemented?

**Dr Purchase:** No.

**Mr Phillips:** Does the table on page 115 give us indication of how far that is, the four-year cost or benefit of the tax cuts? Does that give us any indication of how much more there is to go on the 20%?

**Mr Sweeting:** Yes. That's part of the answer. The table on page 115 indicates the benefits to taxpayers from the moves in the budget. There's a full-year benefit identified of close to \$3 billion—well, don't count the rebate—close to \$2 billion on top of the 5% rebate last year.

**Mr Phillips:** It would be helpful for us, Chair, if the staff could let us know—there was a 20% cut; 5% last year and 15% to go—how much is implemented with this.

Second, can I ask a question on capital gains, just for information? What is the rate in the US for capital gains currently?

**Mr Sweeting:** The rate for capital gains varies. I think if I go skipping through enough papers and conscious of the time, I would have that answer.

**Dr Purchase:** We can get that for you, if we don't have it.

**Mr Sweeting:** It differs depending on short-term, long-term gains, and there were some recent proposals in the US. But we do have that, so I'm happy to provide that to you.

**Mr Phillips:** I realize that's not part of the bill, Mr Chair, but it would be helpful. I view this as half of the package or thereabouts. What legislation do we need to implement the remainder of the budget? What still has to be legislated?

**Mr Sweeting:** There would still be legislation for capital gains. There will still be legislation for the stock option deduction. I'm not sure what else we've still got to legislate.

**Mr Phillips:** What is the expectation of when that legislation may come forward? I gather the implementation dates have already been announced. Is this simply enabling legislation?

**Mr Sweeting:** Yes. As has been the case in the last several years, there will be plans for two budget bills: the current bill that you are examining and then a bill in the fall that will cover the matters that I had mentioned; and,



as well, matters such as the educational technology tax incentive, simplifying the film tax initiatives, expanding the sound recording, book publishing, interactive digital media credits. So there are still a certain number of measures to be included in a proposed possible fall bill.

**Mr Young:** I noted with interest that the government was intending to commence and perhaps has already commenced a consultation process with respect to the point-of-sale exemption for farm building materials. My question to those here to present and respond today is, what is the government consulting about, why is this consultation necessary, and do we have a time frame over which we are anticipating that it will be concluded?

**Mr Sweeting:** The consultation process is to recognize that to move from a system of rebates filing after the fact of purchase exemption certificates needs to be done in a manner that can be accommodated by the retail sales tax collectors, the businesses that provide the service to the government, and it works for farmers and is communicated effectively. We anticipate the consultation period will be quite short on this and that there will be an opportunity to provide the prescribed date shortly.

**Mr Young:** There's another RST exemption—actually there are a few others—referenced in the budget. Deposit insurance for premiums in credit unions is yet another area that the government has targeted for a further tax cut. In a word, why? Why is the government exempting credit union deposit insurance premiums from RST?

1150

**Mr Sweeting:** I think credit unions play an important role in the Ontario economy. There's certainly an interest and a desire to see those expand and play a role in ensuring that we are effective and flexible and meeting different interests for credit unions. The deposit insurance is a barrier for a small business. A relatively small end of the financial services market is the credit union end of things. So it was felt that it would provide a support stimulus to that sector.

Phil, I don't know if you want to add to that.

**Mr Howell:** The credit unions already play an important role in smaller and local communities and have the potential to play an even greater role in the those areas in ensuring that access to capital is available to both individuals and businesses in those communities. Most of the credit unions are relatively small institutions. This supports the development and expansion of the credit union movement.

**Mr Young:** A couple of things arising out of that, and I want to be as clear as I can in the question—I hope you can be crystal clear in the answer as well—is this initiative going to in any way affect the level of deposit insurance available for investors, for customers of these credit unions? Is it in any way going to jeopardize the amount of money that is available should things go awry?

**Dr Purchase:** The answer is definitively no.

**Mr Young:** The second question I have arising out of your response is, do banks pay RST? Do they pay retail

sales tax on their deposit insurance premiums? I guess I have the same question about trust companies.

**Dr Purchase:** The answer is yes, they do pay that. This is a differential move which benefits these particular financial institutions. For the purposes that both Mr Sweeting and Mr Howell have indicated, this budget follows on a number of beneficial moves to the sector in last year's budget where we removed the capital tax, for example, in the sector. Again, it is in response to the concerns of the small business community in particular, and increasing numbers of consumers who feel the banks are leaving these smaller communities, to have viable alternative financial institutions.

**Mr Young:** If I may, Mr Chair, I don't know how we're doing for time.

**The Vice-Chair:** Another minute.

**Mr Young:** One last area of retail sales tax I wanted to question you about deals with the rate reduction for repairs and replacements under warranties. We're obviously talking about automobile warranties, but I would ask you in your answer to also address whether or not this would be equally applicable to snowmobiles or other motor vehicles. My question to you is—let's start with that. Is it going to apply to motor vehicles other than just automobiles or is it limited to automobiles and trucks?

**Mr Sweeting:** The repair and warranty proposal is for any warranty. It could be a warranty on a toaster. The insurance provision is limited to motor vehicles, which would include trucks and that sort of thing that are, as is indicated, licensed under certain conditions. But the warranty proposal is available for wherever products are offered with a warranty for repairs and replacement.

**Mr Young:** You mentioned toasters, computers, televisions and so on and so forth. Can I ask one very quick follow-up, Mr Chair, or is my time gone?

**The Vice-Chair:** Your time is really up, just in fairness to the other parties. What has been suggested to me, and if there is no objection, I understand Dr Purchase would like to make a few summary comments, if that's in order, that probably would relate to some of the questions that have been asked that he feels haven't been covered. No objections? OK.

**Dr Purchase:** On behalf of the staff, I hope that we've been able to provide you with some of the information that you find useful. Certainly we take our responsibility very seriously to answer the questions as honestly and fairly as we can for all members of the committee.

In conclusion, I might just say in response to a number of issues that were raised about how do we get the revenues to finance future programs, that's something we're clearly concerned about, notwithstanding my remarks about the reliability of five-year forecasting. That comes from someone who has had many years' experience of forecasting.

Certainly I think it is the government's view that its tax initiatives will generate the kind of economic performance that will sustain and enhance revenues to support vital social programs. That's all I wished to say.



**The Vice-Chair:** Thank you very much for your comments and thank you for coming this morning along with your staff. It's certainly very much appreciated.

Just a reminder to committee members that amendments are to be tabled by tomorrow morning at 9 o'clock. The other area is that I see for this afternoon, 3:30 till I gather 6, it says "Discussion." I'm open to the kind of structure that discussion might take. You don't need to respond now but you might think through how you would like that handled when we reconvene at 3:30. The meeting is adjourned.

*The committee recessed from 1156 to 1544.*

**The Vice-Chair:** We will call the finance committee back to order. As we get started, what format would you like this to take? The agenda says "Discussion." Do you have some thoughts on how you would like to see it go?

**Mr Phillips:** Yes, Mr Chair. As you probably know from the discussion this morning and from the letter I sent—I assume all committee members got a copy of the letter—we had hoped our focus at this committee would be on the policy side of the issues. I'm very disappointed we can't have that discussion.

I gather we're not going to be able to do it on the bill. The committee is going to have to find some other forum to discuss the policy issues around: Where are we going on tax policy in the province? Have we now, as a matter of policy, embarked on a policy direction that corporate taxes are going to have to be very much contingent on our neighbouring states?

I can understand that, if that's going to be the policy direction. On the taxation of persons, on personal income tax—I put the capital gains tax and the \$100,000 tax exemption on stock options in there—I think we're going to have to talk about how we raise our money in the province. We heard this morning of jurisdictions in the Scandinavian countries and the Netherlands where they've reduced corporate taxes, but they've chosen, I gather, to put their taxes elsewhere because their tax burden is still higher than in Canada. As I said, our hope had been that we might have the minister here and we could discuss the issues I outlined in that four-page letter. That's not possible.

The Liberal caucus has had two briefings on the details of the bill. We understand the bill. We understand it implements what the government said in the budget. There's little to be gained, from our caucus's point of view, in a prolonged discussion at this committee if we're not going to have a discussion on the policy side. I'm inclined to say that from our caucus's point of view, we should move swiftly through the bill. I gather there are one or two amendments that have to be made when we reach that section. They will have to be read into the record. There are maybe one or two amendments. Rather than getting angry with each other over the fact that we can't have a policy discussion, we should perhaps just move on.

**The Vice-Chair:** I think your point is well taken. Maybe Mr Young would like to make a response. I follow your argument and your concerns.

**Mr Young:** I'm quite pleased to respond, but perhaps we should hear from Mr Christopherson before I respond.

**Mr Christopherson:** It will save Mr Young having to respond twice, because I'm sure his answers are similar, given that my concerns are similar.

I agree with my colleague Mr Phillips, and it's in the Hansard. I've expressed this from the moment the parliamentary assistant led the Tory majority on this committee to overturn the subcommittee's reasoned approach on how to address the hearings here, and ultimately amendments. It puts us in the shameful position, in my opinion, of being expected to submit amendments by tomorrow, and we haven't even finished the second half of the hearings, as phony as they may be. Even the procedure is phony. There's not even an attempt to pretend it isn't. Usually they try to flower things up. In this case they haven't even done that. It's just so blatantly unfair and undemocratic and shows absolutely no interest on the part of the government to listen to anyone.

I agree with Mr Phillips. In fact, I really didn't think there was much use and point in having what we did today and scheduling the second day, given that we weren't going to have anyone here except the staff. It makes no sense. I mentioned earlier that I had comments and debate I wanted to engage in with the presenters, but they're staff people. It's not fair to do that. Their job is to come in and represent their minister. I want to talk to the minister. I want to talk about the issues. I want to talk about the politics of the decisions that are being made, the philosophical choices that were made and the philosophical choices that were rejected.

I can engage in none of those things, in fairness, with the staff, so I agree with Mr Phillips that we ought to just bring this charade to an end and move on to the amendments, which is a further charade. There's no point. We don't even have time to put in intelligent amendments. It's self-explanatory why we can't do that. So I agree. Let's just get on with this farce and get it over with because nothing we say or do is going to make one whit of difference at the end of the day, not one.

**1550**

**Mr Young:** I'm torn between spending a significant amount of time responding to the basis on which my friends across the way have arrived at their conclusion, or simply accepting that there is no desire to spend a good deal of time at this committee by the opposition parties. What I'll do by way of compromise is very briefly repeat what I said when this committee met about two weeks ago to formulate the procedure we were going to follow.

I should add, with the greatest respect to Mr Phillips and Mr Christopherson, that's essentially what they have just done now and what they did to one degree or another this morning.

I want to point out that prior to getting to the point we're at now, this committee spent a very significant amount of time listening to submissions from economists, individuals and organizations not only in the capital city of Toronto but across the province, in areas of the province, I might add, that are represented by members

from all of the parties that have the privilege of serving in this Legislature.

There was a rather significant opportunity for members to question Minister Eves when he attended at this committee at a very formative time when the policies were being formulated, in my respectful submission at a most important time. In addition, the ministry and the minister, as well as the parliamentary assistant, spent a good deal of time meeting with representatives from various organizations, various individuals and accepted submissions from hundreds of individuals and organizations. That's in addition to the 10 days of hearings that I understand took place.

It is true that the members opposite did not succeed in crafting or putting together this committee at this juncture in the way they wanted to, but for the record to be clear it has to be remembered that this has been a rather lengthy, very open and very important process that has been comprehensive in its scope. It is true that we are at the end of the process in many respects.

There is an opportunity for amendments to be submitted if it is the will of everyone here—or at least the majority—that what we do at this juncture is put whatever amendments we have on the table today and we're content that that will be the end of it and we go through and we vote on it. I'm quite content to do that. If what is being suggested is that we adjourn this afternoon and follow the procedure thereafter in terms of the submission of amendments and the ultimate voting next week, I'm content to do that.

I'm a little unclear as to what is being suggested. I appreciate what is being suggested will expedite the process and I support them in that regard, although I come at it from a different perspective as I've tried to explain in the last few moments.

**The Vice-Chair:** Trying for a bit of a compromise here, as the Chair, I hear what's being said and this general philosophy of, where does the tax come from to cover whatever? At this point in time, it's not realistic that we're going to get that kind of discussion going this month. I'm wondering if in the fall, prior to listening to delegations, that might be a time to look in a kind of thorough sense, over I'm not sure how many days of discussion, to look philosophically before we listen to delegations going into the next budget exercise. Is that something that might be realistic, might be practical?

**Mr Young:** I apologize, Mr Chair, my attention was diverted during some of your comments.

**The Vice-Chair:** I was referring to the philosophical direction of: Where do you cut tax? Where do you maintain tax to obtain—is that something that could be done in the early fall?

**Mr Young:** Sure. We're open to having those sort of discussions, and if there is a desire to do that, we're prepared to consider any request in that regard. I say this with the greatest respect: My view is that that has taken place. Frankly, that took place last June. There was an election that dealt with different philosophies and the discussion continues in the Legislature each and every

day during question period. It continued in this committee during the 10 days of hearings. But I'm open to suggestions. If there is a desire from others for that sort of process, sure, we can consider that.

**Mr Phillips:** I think that may be worthwhile in the fall. We are now the most export-oriented jurisdiction in the industrial world. I think that has profound implications. I say to Mr Young I'm happy to spend whatever time is necessary at this committee if there is a way to debate the questions I raised. I have been through the Blueprint many times. You never promised a 40% cut in corporate taxes, or a one-third cut in capital gains tax then. You never even mentioned that. That was never, ever breathed. Frankly, during our committee hearings, the subject of a 40% cut in corporate taxes and a one-third cut in capital gains—I don't even remember any of the presenters ever having that.

The pre-budget hearings are important, but what's more important now is, here's what the government has decided to do with it and now we can't really have reasonable debate about it. I laid our caucus's in four pages, things we think are worth discussing. It's clear we're not going to get a chance to do it here. But this obviously won't be the end of it, and I think it's worth the committee's revisiting it. This is what the government says in this document: "We now are the most export-oriented jurisdiction in the industrial world. Exports are now equivalent to 55% of our gross domestic product. Ten years ago, it was 29%." That's just what the government said. You can see now it's beginning to, in my opinion, have a real, profound impact on tax policy. For the first time I can recall, by the way, there was no comparison of other provinces in the budget; it was versus neighbouring states. That's just the reality today.

The Liberal caucus is prepared to spend whatever time is necessary if we can debate what we think are the fundamental issues here—if we can.

**Mr Kwinter:** I just want to respond to Mr Young and tell you the concern I have. He gives the impression that this document, this act, is a direct result of our pre-budget hearings, as if this were the report of the committee of economic affairs, and for finance, to the Legislature as a result of those hearings. We made our report. There were two minority reports that went through. This is the government's act. For us to sit and try to change the policies—we can go through clause-by-clause, as we're going to do, and if we think there's some wording that isn't right or if we're going to present our amendments—the point is that when you look at the first page of our briefing binder, virtually every item on there, with the exception of a couple, was never even discussed at the pre-budget hearings in any kind of detail.

We're saying it's kind of futile for us to be sitting here and to accept this as a fait accompli and expect that we should be talking to it as if we're going to have any impact on it. We're not. We didn't have, this morning, a political presence so that we could discuss policy. I think we put Bryne Purchase in a terrible position. The poor guy was sitting here and was taking a lot of political flack



when that's not his role. All he was doing was saying was: "Here, this is the bill as it's been drafted. If you want to ask us specific things about the structure of the bill or about some of the assumptions that were made, ask me."

But if you want to question policy, as my colleague has said, if you want to question this whole business which I feel very strongly about, where he equates imports as comparable to exports other than by number, saying that the difference is that there's only about a 16% dependence, for anybody, particularly someone who's the Deputy Minister of Finance, to suggest that X dollars of products that are developed in Ontario, with all of the spinoffs and all of the jobs and all of the economic benefits, equates to imports that come in with no value added and say it's a wash, other than whatever the numbers differ, makes no economic sense.

1600

Without being able to debate it to find out what the assumptions are for what is going to happen, it was kind of refreshing to hear—and I apologize; I don't remember what his new riding is—Mr Kells talking about what was happening with the Fung report and hear something that's 20 years off into the future with development. The Deputy Treasurer is saying, "We don't even project five years," so how can you endorse something that's got a 20-year extension without having a clue as to whether or not you're ever going to be able to make your commitments?

That's our frustration. We're not saying we want to be obstructionist; this particular bill is being presented to us and we're saying: "Fine, we will do what we have to do politically to talk about it, do what we want. We will fulfill our responsibilities when it comes to clause-by-clause, and if we can make some suggestions—and we're certainly putting forward some amendments." But to do anything other than that is just an exercise in talking to each other. Many of us have more important things we could be doing. It's a simple as that.

**The Vice-Chair:** Any other comments?

**Mr Young:** Only a procedural point. It is my understanding that if we are going to vote now, which I have no objection to doing, I understand the clerk has to arrange for counsel to be here—is that correct?—and that there will be a delay of 20 or 30 minutes attached to that. It would be my suggestion, and it's only a suggestion, that perhaps a better answer would be to come back on June 8 for a brief period. But if it's the will of the committee to adjourn for 30 minutes or so and have counsel come in and then table the amendments, I'm content to do that as well.

**The Vice-Chair:** I would suggest we adjourn and do it at 10 o'clock next Thursday morning.

**Mr Young:** As I say, my inclination is to do just that.

**The Vice-Chair:** It is listed for 9, but with your indulgence I would appreciate if it was 10, because I don't think it'll take that long.

**Mr Christopherson:** I'm in House leaders until at least 10, maybe later, so—

**Mr Young:** We can do it later—

**Mr Christopherson:**—I would prefer 10.

**Mr Young:** We could do it at 10:30. It's not going to take long.

**Mr Christopherson:** Yes, 10:30 gives me a much better chance of being here.

**The Vice-Chair:** If there's no further debate and discussion, then—sorry, Mr Arnott.

**Mr Arnott:** I'm fine with that. I just wanted to respond to an important point that Mr Christopherson made this morning about the World Trade Organization ruling on the auto pact. If I could just briefly do that, Mr Chairman, I think it would be appropriate.

**The Vice-Chair:** Certainly.

**Mr Arnott:** It's my understanding that yesterday at 9 o'clock the appellate body of the WTO released their ruling on Canada's appeal of the WTO dispute panel report on Canada's auto pact. The details of the appellate body ruling were not available until late last night, and unfortunately I have not seen the final result of that report. But I do want to put on the record the government's preliminary response to this issue.

The government is well aware that almost 90% of Canada's auto industry resides in Ontario. Over 140,000 people are directly employed in automotive manufacturing, and almost that many again in the automotive after-market industry. The government obviously takes this issue very, very seriously.

As well, we know that this matter is a federal jurisdiction. We urge the federal government to implement the ruling in a fair manner which ensures the long-term health of the automotive industry.

This week, the Minister of Economic Development and Trade, the Honourable Al Palladini, is in Japan attracting further investment. It's my understanding that he will be attempting to speak with his federal counterpart when he returns to the country.

**Mr Christopherson:** If I might, briefly.

**The Vice-Chair:** Mr Christopherson.

**Mr Christopherson:** Thank you. I appreciate Mr Arnott's attempt to bring us up to speed. But I would also say for the record that you say the government takes it very seriously, and yet we had a deputy minister in here this morning who could not speak word one officially about anything your government had to say. It would seem to me you haven't taken it very seriously at all. You should have been quite ready for one of a number of eventualities in terms of a ruling. I think the lack of action speaks much louder than the short statement you've read here today.

**The Vice-Chair:** I think that pretty well wound up any discussion this afternoon. So, hearing no objections, the committee will reconvene at 10:30 on June 8 to address clause-by-clause. Amendments are to be in tomorrow morning, June 2, by 9 o'clock to the clerk's office.

Any further discussion or any comments for the committee? If not, I declare the committee adjourned.

*The committee adjourned at 1606.*











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Mr Tom Sweeting, assistant deputy minister, office of the budget and taxation

Mr Graham Stoodley, director, office of legal services

Mr Philip Howell, assistant deputy minister and chief economist, office of economic policy

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## Legislative Assembly of Ontario

First Session, 37<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 8 June 2000

# Journal des débats (Hansard)

Jeudi 8 juin 2000

**Standing committee on  
finance and economic affairs**

**Comité permanent des finances  
et des affaires économiques**

Taxpayer Dividend Act, 2000

Loi de 2000 sur le versement  
d'un dividende aux contribuables



Chair: Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 8 June 2000

Jeudi 8 juin 2000

*The committee met at 1029 in room 151.*

## TAXPAYER DIVIDEND ACT, 2000

## LOI DE 2000 SUR LE VERSEMENT

## D'UN DIVIDENDE AUX CONTRIBUABLES

Consideration of Bill 72, An Act to pay a dividend to Ontario taxpayers, cut taxes, create jobs and implement the Budget / Projet de loi 72, Loi visant à verser un dividende aux contribuables de l'Ontario, à réduire les impôts, à créer des emplois et à mettre en oeuvre le budget.

**The Chair (Mr Marcel Beaubien):** We'll bring the meeting to order. Good morning, everyone. We're here this morning to consider clause-by-clause on Bill 72, An Act to pay a dividend to Ontario taxpayers, cut taxes, create jobs and implement the Budget.

In front of me I have five amendments dealing with sections 25 and 26 of the bill. Are there any other comments with regard to the other sections of the bill?

**Mr Gerry Phillips (Scarborough-Agincourt):** The ministry staff was going to provide answers to a couple of questions we raised. Have we received them yet?

**Mr David Young (Willowdale):** Mr Chair, if I may be of some assistance, I know that there was at least one member of the ministry staff who was to attend today, and probably is en route and about to walk through the door, who has responses to at least some of the questions that Mr Phillips had raised. I don't think anything has been filed in a written form over the past week, but we have some information that we can share with you today, or, alternatively, we can undertake to get that to you over the next short while. Because he is not here yet, we certainly can't give it to you this instant.

**The Chair:** You'll have to excuse me because I wasn't here last week.

**Mr Phillips:** I understand. It would have useful.

The other thing I'd do just at the outset is repeat our caucus's concern about the process. I truly believe this is a fundamental shift in tax policy in the province. We are moving to a policy, I gather, of corporate taxes being very much driven by our neighbouring US states. I gather that's the same policy we're urging on the federal government.

We have major concerns about a policy that says corporate taxes will be substantially lower at the same time as we want to have a health care system that is

heavily funded by public funds. We have historically chosen that in Canada. We have chosen to fund 70% of our health care costs out of a shared responsibility through taxes. According to the government, in the auto sector alone that is roughly a \$400-million cost advantage. So I just think it's wrong for us to proceed to implement tax policy without some assurance that we can, at the same time as we're doing that, sustain what we regard as our essential public services, particularly health, but education and, dare I say, the environment.

Part of this bill is a five-year commitment and any change does require a referendum to change the commitment. I think this should have had a substantial and substantive policy discussion. I think all of us would have benefited from that; from saying, OK, we now are the most export-oriented jurisdiction in the world, according to the government's documents. One of the things that means, therefore, is that our tax policy, on corporate taxes and maybe on income taxes, cannot be different from that of our trading partners.

We're heading down that road but I think we owe it to ourselves to ask how we plan to fund health care. Is it going to be through consumption taxes? Basically, if you look at the tax structure, as you know, we've got corporate income tax, personal income tax, and the rest are basically consumption taxes, gas or sales tax, alcohol tax or whatnot. From the outset, that's been our concern. The debate isn't around the formula within the tax bill; it's around, is this the right direction? Are we confident that we want to head down that road?

Frankly, it's a terrific bonus for our corporations, obviously, because they will have lower corporate taxes, plus substantially lower operating costs because we've chosen to fund our health care system a different way.

So it is with frustration—and you weren't here the last time, Mr Chair, and I understand why, but that was the thrust of the discussion. In terms of today, it will be essentially kind of a pro forma move forward to get your amendments in. But it was ironic that yesterday in the Legislature we were debating something called Brian's Law, a bill dealing with trying to help individuals mainly with mental illness, and it was an example where all three parties had been working co-operatively. This bill, dare I say, affects everyone on the economic side and we really have not had any debate at all on it. It's been just on the mechanics of it.

I wanted, once again, to get that on the record because of the frustration of our caucus.

**The Chair:** Thank you, Mr Phillips. Mr Young, have you got any comments or—

**Mr Young:** It may be appropriate to hear from Mr Christopherson, with respect, Mr. Chair.

**Mr David Christopherson (Hamilton West):** I appreciate that; thank you.

I don't have anything new to add, but I will just reiterate that the process has been just such a farce. Here we are again today, and I agree with Gerry. We're going to pass these amendments and they're going to go bang, bang, bang. The worst we could do is refuse to get to the point where we vote today, but that does nothing, because the allocation's in and the time will run out and everything will be deemed to be done, so it's all rather pointless.

But I will point out that we fundamentally disagree with the direction the government has gone in on this tax issue. Here we are, in the midst of the Walkerton crisis and the tragedy that ensued there. We're now seeing the damage that's done, very starkly, unfortunately, when you say that tax cuts are the top priority over and above everything else. That has been the position of this government. They were even urging the federal government, prior to the last federal budget, "Make tax cuts your number one priority," not health care.

**Mr Ted Arnott (Waterloo-Wellington):** And health care.

**Mr Christopherson:** I hear Mr Arnott saying, "And health care," but your ads didn't talk about that. Your ads talked about making sure—

*Interjection.*

**Mr Christopherson:** But your tax cut was the top priority, so you tried to have it both ways. The reality is, you're taking care of your friends once again at the expense of the vast majority of ordinary, middle-class people, not to mention the horrific damage you've done to the poor in this province and the number of poor people who are now moving from middle class into poverty, all as a result of your tax policies, which favour the very wealthy at the expense of everyone else. And these are the boom times. God help us all when the bad times come, if they come during the Harris regime, because we know who'll pay the price. If the average person can't gain in an economic boom under this government, they're sure not going to gain or even hold their own during a downturn.

The \$200 attempted bribery is an insult, more than anything, to the intelligence of Ontarians, especially when we juxtapose that to what's happened in Walkerton. I keep coming back to that because, unfortunately, it is a stark reality that people are seeing and understanding: that you can have public services that meet the needs of a modern-day society or you can have tax cuts, but you can't have both to the degree that this government has. You cannot have both, and Walkerton is showing that.

You've managed to get away for a number of years without this kind of crisis. I suspect, unfortunately, that we're going to continue to see more and more evidence

that, as a society, we are much poorer, even if you've made a very few a lot richer.

We continue to be opposed to this bill and to this government's economic agenda and direction.

**1040**

**Mr Young:** I'm going to keep my remarks very brief. Much of what has been said by the members preceding me was similar, if not identical, to what was said when we last met on June 1, and was said previously at this committee. I'd invite anyone reviewing the transcript of this proceeding to accept that what I said in reply on those prior occasions continues to be what I believe on this occasion.

I will say this: When there was a request from this government to the federal government to bring forward some meaningful tax cuts, that request was accompanied by a plea for the restoration of health care funding from the federal government. My friends know well that that is something we have not only said by way of correspondence but we've said through meetings, we've said at the ministerial level, and we've certainly felt obliged to go so far as to advertise. We wish we had not had to do that, but we seemed to have no choice, because our pleas were falling upon deaf ears. To suggest that there was no request for health care dollars is simply inaccurate. It was a request that was put forward, and it was put forward loudly and repeatedly.

I am really reluctant to respond to the comments made about Walkerton. I know my friends and I, the members on this side of the table, have an ideological difference of opinion about a number of things, but until we've heard back from the inquiry that has been announced, until we hear back from the commissioner as to his findings and recommendations, I just refuse to enter into a debate on a matter this serious that smacks of political partisanship.

I'll restrict my comments to those for the purpose of today's hearing, and suggest that we move forward to voting on the amendments, which I understood was the primary reason that we returned today.

**The Chair:** Thank you, Mr Young. If there is no further discussion—

**Mr Phillips:** On my questions, you indicated earlier that you might have some answers to them.

**Mr Young:** If you want to take some time prior to the vote, we're quite prepared to have some ministry representatives come forward and respond to the questions, or at least one of the questions posed by Mr Phillips previously.

**Mr Phillips:** I can stand down my request until after we've dealt with the bill, because I believe one of my colleagues is under a time constraint.

**Mr Young:** Sorry, I don't understand.

**Mr Phillips:** I think the NDP would prefer that I get that information after we've dealt with the bill. I don't mind doing that, so we can deal with it and then have the answers after.

**Mr Young:** So vote, and then you want to have the answers later?

**Mr Christopherson:** Yes.



**Mr Phillips:** Believe me, I'm doing this as a concession to my NDP partner.

**Mr Young:** Regardless of your motivation, that's fine. We're prepared to accommodate you, Mr Christopherson.

**Mr Christopherson:** I appreciate that.

**The Chair:** So we're ready to proceed with the vote on the bill. We can proceed in two ways. There are no amendments for sections 1 to 24, so is it the committee's wish that we collapse sections 1 to 24 into one motion?

**Mr Christopherson:** Recorded vote, please, on everything.

**The Chair:** On everything. You want it section by section, or is OK to collapse sections 1 to 24?

**Mr Christopherson:** I'm fine with collapsing.

**Mr Phillips:** That's fine.

**The Chair:** Shall sections 1 to 24 carry? A recorded vote.

**Ayes**

Arnott, Galt, Molinari, Young.

**Nays**

Christopherson, Kwinter, Phillips.

**The Chair:** The motion carries.

Now to section 25. You have an amendment in front of you on section 25.

**Mr Young:** I'd like to move that, if I may.

**The Chair:** Could you read this for the record, please.

**Mr Young:** I move that subsection 2(16.3) of the Retail Sales Tax Act, as set out in section 25 of the bill, be struck out and the following substituted:

"Refund, reduction in tax

"(16.3) Despite subsection (11), any amount of tax paid before, on or after May 3, 2000 in respect of a premium payment due after May 2, 2000 under a contract of automobile insurance that exceeds the amount of tax payable under this section in respect of that premium payment may be refunded by the vendor to the person for whom the vendor collected the tax. However, no refund shall be made more than four years after the date on which the tax to be refunded was paid."

**The Chair:** You've heard the motion on section 25.

*Interjection.*

**The Chair:** Mr Young, for the record, apparently there's been a mistake in the reading of the amendment. In the third-last line, you apparently said "by the vendor to the person for whom," and the amendment stipulates "from whom."

**Mr Young:** I apologize if that's the case. That section should read "by the vendor to the person from whom"?

**The Chair:** "From whom," yes.

**Mr Young:** That's what I intended to say. If I didn't, then I will now. That's what I'm moving.

**The Chair:** You've heard the motion on subsection 25(2). Is there any discussion?

**Mr Young:** Only that this is simply an intention to simplify the procedure, not to change the end effect of the original section.

**The Chair:** No further discussion? Then a recorded vote.

**Ayes**

Arnott, Galt, Molinari, Young.

**Nays**

Christopherson, Kwinter, Phillips.

**The Chair:** The motion carries.

Shall section 25, as amended, carry? Recorded vote.

**Ayes**

Arnott, Galt, Molinari, Young.

**Nays**

Christopherson, Kwinter, Phillips.

**The Chair:** Section 25, as amended, carries.

**Mr Young:** There's an amendment to section 26. Actually, there is a series of amendments.

**Mr Young:** I move that subsection 2.1(5) of the Retail Sales Tax Act, as set out in subsection 26(1) of the bill, be amended by striking out "Subsections (6), (6.1) and (6.2)" at the beginning and substituting "Subsections (6), (6.1), (6.2) and (6.3)."

**The Chair:** You've heard the motion. Is there any further discussion on the motion? If not, recorded vote.

**Ayes**

Arnott, Galt, Molinari, Young.

**Nays**

Christopherson, Kwinter, Phillips.

**The Chair:** The motion carries.

**Mr Young:** On subsection 26(1) of the bill: I move that clauses 2.1(6)(a) to (e) of the Retail Sales Tax Act, as set out in subsection 26(1) of the bill, be struck out and the following substituted:

"(a) 5% of every premium payment due before May 3, 2000 under a contract of automobile insurance;

"(b) 4% of every premium payment due after May 2, 2000 and before April 1, 2001 under a contract of automobile insurance;

"(c) 3% of every premium payment due after March 31, 2001 and before April 1, 2002 under a contract of automobile insurance;

"(d) 2% of every premium payment due after March 31, 2002 and before April 1, 2003 under a contract of automobile insurance; and



“(e) 1% of every premium payment due after March 31, 2003 and before April 1, 2004 under a contract of automobile insurance.”

**The Chair:** You’ve heard the motion on subsection 26(1). Is there any further discussion? If not, recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** The amendment carries.

**Mr Young:** There is a further amendment that I wish to move at this time.

I move that clauses 2.1(6.1)(a) to (e) of the Retail Sales Tax Act, as set out in subsection 26(1) of the bill, be struck out and the following substituted:

“(a) 5% of every premium payment due before May 3, 2000 under a contract of automobile insurance;

“(b) 4% of every premium payment due after May 2, 2000 and before April 1, 2001 under a contract of automobile insurance;

“(c) 3% of every premium payment due after March 31, 2001 and before April 1, 2002 under a contract of automobile insurance;

“(d) 2% of every premium payment due after March 31, 2002 and before April 1, 2003 under a contract of automobile insurance; and

“(e) 1% of every premium payment due after March 31, 2003 and before April 1, 2004 under a contract of automobile insurance.”

1050

**The Chair:** You’ve heard the motion with regard to clauses 2.1(6.1)(a) to (e). Is there any further discussion? If not, recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** That amendment carries.

**Mr Young:** There is one further amendment to the section in question.

I move that subsection 2.1(6.2) of the Retail Sales Tax Act, as set out in subsection 26(1) of the bill, be struck out and the following substituted:

“Tax discontinued

“(6.2) No tax is payable under this section in respect of any premium payment due after March 31, 2004 under a contract of automobile insurance.

“No refund

“(6.3) A person liable to pay tax under this section on a premium payment due before May 3, 2000 under a contract of automobile insurance is not entitled to a

refund of that tax paid on the premium by reason of the amendment or termination of the contract after May 2, 2000 and before the expiry of the period of coverage under that contract unless the person establishes to the satisfaction of the minister that the amendment or termination was not for the purpose of renewing, replacing or modifying that contract for substantially similar coverage for a premium taxable at a lower rate of tax under this section.”

**The Chair:** Mr Young, for the record, on the amendment in front of me, on the second line it says “is not entitled to a refund of the tax,” but I think you stated “of that tax.”

**Mr Young:** Sorry, which was the line?

**The Chair:** The second line. It should read “entitled to a refund of the tax.”

**Mr Young:** “The tax,” yes. If I said otherwise, once again I apologize.

**Mr Phillips:** You may have to get Ted doing this next time.

**Mr Young:** I’m ready.

**The Chair:** OK. You’ve heard the motion on subsection 2.1(6.2). Is there any further discussion? If not, recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** That amendment carries. Shall section 26, as amended, carry? Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** Section 26, as amended, carries.

Shall section 27 of the bill carry? We can collapse sections 27 to 32. Is that agreeable?

Shall sections 27 to 32 carry? Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** Sections 27 to 32 carry.

Shall the long title of the bill carry?

**Mr Monte Kwinter (York Centre):** On a point of order, Mr Chairman: I have a question that I’d like to ask whoever on that side wants to answer it. In the budget document there is a provision that says, effective for

purchase after budget day, the government is proposing to amend the definition of “publications” to include the exemption of educational CD-ROMs from the retail sales tax. I’ve looked through this document and I don’t see any mention of that at all. Yet it’s been announced that, effective as of budget day, there would be a change to the retail sales tax to accommodate that. Does anyone have an answer to that?

**Mr Young:** With your indulgence, I’ll try to get you an answer momentarily. I’m told that it’s a regulation with retroactive authority, so it need not be legislatively moved at this time.

**The Chair:** Then we’ll go the title of the bill. Shall the long title of the bill carry? Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** The motion carries.

Shall Bill 72, as amended, carry? Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** That motion carries.

Shall I report the bill, as amended, to the House?  
Recorded vote.

#### Ayes

Arnott, Galt, Molinari, Young.

#### Nays

Christopherson, Kwinter, Phillips.

**The Chair:** That motion carries. I think that completes the clause-by-clause of the bill.

Mr Phillips, I think you wanted the ministry staff to—

**Mr Phillips:** If they have any of the answers to the questions I raised, I’d appreciate it.

**The Chair:** Could you please step forward and state your name for the record, please.

**Mr Kevin O’Grady:** My name is Kevin O’Grady. I’m the acting manager of the personal income and payroll tax design section of the Ministry of Finance. I have an answer to the question related to capital gains. I’ll provide copies of it for you, Chair.

I believe the question related to comparing Ontario capital gains tax rates to those of various states. This table shows, at different income levels, the tax rates applied to capital gains in Ontario with the two-thirds inclusion and the 50% inclusion rate, compared to Texas, California and New York state. Those three states were chosen because of their size and because Texas represents the low end of the spectrum, with no state income tax on individuals, whereas an individual living in New York City would pay both relatively high state income taxes as well as a municipal income tax. Those represent the two extremes, with California in the middle.

**The Chair:** That’s your presentation? Are there any questions?

**Mr Phillips:** Did you have an answer for the question, which was really part of the bill as well, that the government indicated a 20% cut in personal income tax and that this—I forget the language used in the budget—goes some distance to implementing it? How far along is the government now on the implementation of the 20% cut in personal income tax?

**Mr O’Grady:** That would be a question of policy that I’m not equipped to answer. I don’t know the answer to that, and perhaps it would be better directed to the political level.

**Mr Phillips:** I guess I can’t direct it to you, but the government said it’s cutting taxes by 20%. This budget implements part of it. Surely to God—pardon my language—we can get an answer to that question. You said you’d cut taxes by 20%. How far does this go?

**Mr Young:** We’re going to a tax on income, but we haven’t determined what the credit levels will be in all instances. There’s nothing further that we can add right now.

**Mr Phillips:** That one is beginning to get ridiculous. You said that personal income tax would be cut by 20%. This budget implements a part of that. Shouldn’t any reasonable person have a right to say: “All right, you promised in the campaign a 20% cut in personal income taxes. Where in the world are you on it?” Is the public not entitled to an answer on that?

**Mr Young:** The public will have an answer on it. If I may respond, it’s an issue of measuring. There will be some further details forthcoming shortly. We’ve announced in some detail the direction we’re going. As I say, many of those details will follow in the not-too-distant future.

**Mr Phillips:** I find it unacceptable that in the budget it says: “Last year another 5% was cut. This is the first step of a 20% tax cut promise. The next step in this new commitment is delivered in this budget.” What is it? Tell me. You said there would be a 20% cut. Where are we? Can anybody answer that?

**Mr Young:** I can tell you that the commitment has been made and the commitment will be fulfilled over the period of time that it was undertaken to be fulfilled.

**Mr Phillips:** But where are you now? Are you at 15%? Are you at 10%? Tell me.

**Mr Young:** We've announced where we have come from and where we are going to go, and we have started down that road. We've told you the period of time over which we'll fulfill that commitment.

**Mr Phillips:** That is unacceptable.

**Mr Young:** With the greatest of respect, every answer you've received, you've characterized in the same fashion. I disagree.

**The Chair:** I think as Chair I'll have to bring that particular discussion to an end. Looking at my agenda, I think we've completed the business of the day, so I'll entertain a motion to adjourn. Thank you, Mr Galt.

This committee is now adjourned.

*The committee adjourned at 1100.*











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Mrs Tina R. Molinari (Thornhill PC)

Mr Gerry Phillips (Scarborough-Agincourt L)

Mr David Young (Willowdale PC)

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First Session, 37<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Thursday 2 November 2000

# Journal des débats (Hansard)

Jeudi 2 novembre 2000

## Standing committee on finance and economic affairs

## Comité permanent des finances et des affaires économiques

Toughest Environmental  
Penalties Act, 2000

Loi de 2000 sanctionnant par  
les peines les plus sévères  
des infractions de nature  
environnementale



Chair: Marcel Beaubien  
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STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 2 November 2000

Jeudi 2 novembre 2000

*The committee met at 1600 in room 151.*TOUGHEST ENVIRONMENTAL  
PENALTIES ACT, 2000LOI DE 2000 SANCTIONNANT PAR  
LES PEINES LES PLUS SÉVÈRES  
DES INFRACTIONS  
DE NATURE ENVIRONNEMENTALE

Consideration of Bill 124, An Act to amend the Environmental Protection Act, the Ontario Water Resources Act and the Pesticides Act in respect of penalties / *Projet de loi 124, Loi modifiant la Loi sur la protection de l'environnement, la Loi sur les ressources en eau de l'Ontario et la Loi sur les pesticides en ce qui concerne des peines ayant trait à l'environnement.*

**The Chair (Mr Marcel Beaubien):** Ladies and gentlemen, if I could get your attention, I would like to bring the standing committee on finance and economic affairs to order. This afternoon, we're here to consider Bill 124, the Toughest Environmental Penalties Act, 2000, and we meet for clause-by-clause consideration of the bill.

Before we begin, I would like to remind all members that by order of the House dated Tuesday, October 24, 2000, at 4:30 pm today those amendments which have not yet been moved are deemed to have been moved. I will interrupt the proceedings, regardless of where we are with the amendments, and at that time there shall be no further amendments or debate. I will put every question necessary to dispose of all remaining sections of the bill and any amendments thereto. Any divisions required shall be deferred until all remaining questions have been put and taken in succession. I will allow only one 20-minute waiting period, if requested, pursuant to standing order 124.

Before we begin the clause-by-clause, are there any comments, amendments or questions from the members?

**Mr James J. Bradley (St Catharines):** I have an amendment that was declared out of order.

**The Chair:** Yes. Mr Bradley, I'll give you the explanation. I declared it out of order for three reasons. One, it was received at 3:35. There was no contact prior to 3:30 with my office or the clerk's office. Secondly, the amendment itself was not in the proper form. Thirdly, I thought you, being a senior member of this House,

should know the rules, orders and proceedings of the House. That's why I declared it out of order.

**Mr Bradley:** What did the amendment say anyway? I'd like you to share that with the committee so that we can know what it said because I think members would like—

*Interjections.*

**The Chair:** For the record, I'll read your proposed amendment to Bill 124: "That the name of the bill be changed to 'An Act to amend the Environmental Protection Act, the Ontario Water Resources Act and the Pesticides Act in respect of penalties which will require a restoration of staff and resources in the Ministry of the Environment in order to be in force.'"

**Mr Bradley:** Thank you. I just wanted to know that.

**Mr Toby Barrett (Haldimand-Norfolk-Brant):** Mr Chair, just a comment on that. I know this is not being tabled, but Bill 124 does not require additional staff or resources to be in force. This legislation does not amend the ministry's enforcement framework. Even if it was tabled, there would be no need for that amendment.

**Mr Bradley:** I would disagree, but we'll leave it at that.

**The Chair:** Anyway, I will not entertain further debate on the amendment. I think I've given you your day at the table and it was ruled out of order. We'll proceed with the amendments that have been presented—

**Mr Monte Kwinter (York Centre):** On a point of order, Mr Chair: I listened to your explanation of the set of ground rules that we're operating under. I didn't hear a time as to when all of this was to happen.

**The Chair:** At 4:30.

**Mr Kwinter:** That's fine. I just wanted to make sure that was in fact the case.

**The Chair:** Ms Churley.

**Ms Marilyn Churley (Toronto-Danforth):** I have some amendments to make that were accepted. Should I proceed now?

**The Chair:** Sure.

**Ms Churley:** I have to read the whole thing, right, into the record?

**The Chair:** Yes.

**Ms Churley:** I move that subsection 1(1) of the bill, as set out in subsection 182.1(1) of the Environmental Protection Act, be struck out.

Should I give my explanation now as to why?

**The Chair:** Certainly.

**Ms Churley:** Just very briefly, because we have limited time here, I have made this amendment to all three parts of the bill, the Environmental Protection Act, the Ontario Water Resources Act and the Pesticides Act. As I mentioned in the House on several occasions when we were debating this bill and debating the closure motion on this bill, I see the bill as window dressing to obscure the government's failure to take real action to protect our environment. Although I have no objections whatsoever to increasing the penalties, I do have an objection to the fact that I see it as window dressing when in fact the government is not prosecuting now under the present laws and under the present penalties.

I'm making this particular amendment here to put back in all three of these acts—I guess I'll have to make the same motion for the other two acts as well—the clause that requires the provision allowing the ministry to fine corporate directors and officers who fail to prevent environmental crimes, not just the employees who carry out the deeds.

As you may recall, Mr Chair, this was with great fanfare brought to the House by the former environment minister Norman Sterling, and we in the opposition supported this clause. The regulations were never written to bring this into force, and now we find—although we weren't told; we discovered it when looking ourselves carefully through the bill—that this section had been removed. So on one hand the government is out there telling people, "Hey, we're bringing in the toughest penalties ever," but quietly, in my view by stealth, but we discovered it, a really important section in there has been taken out.

I can't see any reason why government members would object to putting this back in the bill. In my view, it would strengthen it. If you're going to be out there increasing penalties, for heaven's sake don't take away from a positive step forward by actually weakening the bill by taking this section out.

**Mr Barrett:** In contrast, we do feel that these three motions would weaken the bill, when you look at the larger picture. Allowing this motion and making an amendment like this would weaken the bill because it would give staff, for example, the discretion to issue administrative monetary penalties rather than prosecutions for what we consider these very serious offences.

This bill before us now, Bill 124, as we know, repeals the ability of administrative penalties to be issued for the directors and officers liability sections, and these special sections are considered to be very serious.

Therefore, in order to strengthen the enforcement ability of the officers and directors, liability offences should not be dealt with merely by administrative penalties but rather should be pursued through a prosecution. So repealing the ability to issue an administrative penalty to a director or officer who violates these sections ensures that these offences will be dealt with by using the most severe enforcement tool that we are making available in this legislation, namely, a prosecution.

**The Chair:** Any further discussion?

**Mr Bradley:** I came into this with an open mind because I've listened to both arguments made. I discussed this as well with the minister, who made the same case as the parliamentary assistant. Having discussed it with people who are in the legal business of dealing with environmental cases, it is my conclusion—and Linda McCaffrey, a former prosecutor for the Ministry of the Environment and with the Attorney General's office previously, wrote in this month's *Municipal World*—I'll do a very quick reading of it.

"In 1998, the government amended the Environmental Protection Act and the Ontario Water Resources Act to impose administrative penalties for less serious environmental offences. The rationale for such penalties was that prosecutions are too expensive and time consuming. The opposition lauded this legislative initiative and the bill passed quickly.

"Predictably, everybody forgot all about it. The ministry hasn't developed the regulations necessary to implement the legislation. Prosecutions are still too expensive, and administrative penalties are not a prospect."

I guess what this is saying is that—and your own member, Mr Saunderson, the former member for Eglinton, in his speech, with help from the government no doubt, said at the time that the reason you wanted to have this option was that sometimes you don't want to go through that court process, and if people in the ministry having to make choices had to go through the full court process every time, some relatively minor examples of breaking the law would not be prosecuted. He said, "You could compare this to the old parking ticket system, where some people never paid their parking tickets until apprehended."

He goes on to say:

"Now, under the new system, you cannot renew your licence if you have any parking fines outstanding. This is the type of legislation which is going to make sure these companies cannot go on and on abusing the system.

"I'm confident that the use of administrative monetary penalties will allow the ministry officials to respond to minor pollution offences in a timely fashion, but will not prevent the prosecution through the court system for more serious offences."

That option is open. I agree with the amendment. It makes sense for that reason. I don't want to see the directors of the company and the company president taken off the hook in terms of administrative penalties that could be applied where the ministry prosecutors deem that to be the appropriate course of action.

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**The Chair:** Any further discussion?

**Mr Barrett:** Just to clarify, I wouldn't want anyone to think that this bill repeals the ability for directors or officers to be subject to fines or jail terms. Rather, it repeals the ability for administrative penalties to be issued to a director or an officer of a company that violates the officers' and directors' liability sections in the three acts that you've referred to.



**Ms Churley:** I'm happy to vote on this now. We have a disagreement. I think Mr Bradley pointed out quite clearly why it's important to have this section there. I think it takes away from the strength of the bill by taking it out. I don't understand why you're doing it. We have a disagreement. I would like a recorded vote on that.

**The Chair:** Ms Churley has moved that subsection 1(1) of the bill be struck out. It's a recorded vote.

#### Ayes

Bradley, Churley, Kwinter.

#### Nays

Arnott, Barrett, Galt, Molinari.

**The Chair:** That is defeated.

We go to page 2. Do you wish to read your amendment, Ms Churley?

**Ms Churley:** I will make an attempt.

I move that section 1 of the bill be amended by adding the following subsection:

"(7) Section 187 of the act, as re-enacted by the Statutes of Ontario, 1998, chapter 35, section 37, is amended by adding the following subsection:

"Annual report

"(9) Not later than March 31 in each year, the minister shall publish a report entitled the 'Offences Against the Environment Report' that provides the following information with respect to the previous year:

"1. The number of prosecutions commenced in the year in respect of offences under this act, the number of convictions obtained in the year in respect of offences under this act and the total amount of fines imposed in the year in respect of offences under this act.

"2. For each prosecution that was commenced or determined in the year in respect of an offence under this act,

"i. the identity of the defendant,

"ii. a description of the charge, and

"iii. if the prosecution was determined in the year, the result of the prosecution and the penalty, if any, that was imposed."

I am making this amendment because there was a time when this Offences Against the Environment Report was released. I know under our government this was a report that was released on an annual basis to the public. It gave the public an opportunity to see, as outlined in this amendment, exactly what offences had been committed, had been prosecuted, and what the level of fines was, so people could take a look and have an understanding of the sense of not only how well the environment ministry was doing in terms of enforcing and prosecuting, but also would be able to look from year to year and see which companies were repeat offenders, and have an opportunity to see across the province who the good players were and who the bad players were.

That is no longer happening. This government stopped releasing that report. I think this is a perfect bill to pass such an amendment. I believe that nobody would have any objection to having this amendment pass so that that information could be available to the public.

**The Chair:** Further discussion?

**Mr Bradley:** Very briefly, Mr Chair. It makes all kinds of sense to have this information available from a variety of points of view. We would want the Environmental Commissioner to have easy access to this information, we would want the Provincial Auditor to have it, but, as importantly, we would want all members of the Legislature to have that information available so we could all determine how well the legislation is working. If we do not have that information, we're unable to easily determine whether the legislation is working or not and whether further amendments to the acts that are involved in this legislation would be necessary.

Ultimately, the public should have this information available so they can make that judgment. It may be that the government, looking at it, is satisfied with the level of action within the courts or even outside the courts in terms of prosecutions, or it may be that the government itself is not satisfied, but certainly the public should have this information available.

I think as well, one of the things the ministry has said it wants to do is provide a deterrent out there for people. They want to discourage people from deciding to break the law in the first place. Knowing this information would be made available each year I think would go a long way to helping the ministry in terms of providing that deterrent. For that reason, I will be supporting the amendment.

**Mr Barrett:** With respect to these three motions, which would require the ministry to publish an annual report to explain those several information categories that you've outlined in your amendment, what we want to make clear is that this is not needed. Legislative amendments are not required in order to have a minister prepare annual prosecution reports. Prosecutions are conducted in open court and the public has access to this information. For example, the public has access to the names of defendants, a description of the charges laid, the outcome of the prosecution and any fine or jail term levies as a result of that prosecution. I want to draw your attention to the fact that currently the ministry provides press releases and Web site postings with respect to significant prosecutions.

**Ms Churley:** I don't find that response acceptable. Of course there is all kinds of information people can gather piece by piece, painstakingly, having to go to different sources—press releases here, press releases there—and having to look through court documents and files. I think it's the responsibility of the government and the ministry to make sure that that information is made available in one report so that people have easy and quick access to it.

There's a precedent for it. It's not new. It has already been done by the NDP government. I don't know if the Liberals before us did it or not, but I know we did. It was



a useful tool, as Mr Bradley said, for the ministry, for the public, for everybody who is interested in this.

I would expect the minister, who is making noises about wanting to be more responsible environmentally—and that's what this bill before us is all about. He's at least making the case that he's increasing the penalties, the toughest in the universe, in the galaxy, as far as I can tell from what he's saying, but he's not doing some of the other things to back up that statement.

People have a right to know about prosecutions that are actually happening. It's been done before, and it was quite a popular report. I don't understand the objection to this one at all.

**The Chair:** I shall put the question on Ms Churley's amendment to subsection 1(7). Do you want a recorded vote?

**Ms Churley:** Yes, please.

### Ayes

Bradley, Churley, Kwinter.

### Nays

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is defeated.

**Mr Bradley:** Would you record that Ted's hand was shaking when it went up.

**The Chair:** Shall section 1 of the bill carry? All those in favour? Those opposed? Section 1 carries.

Section 2. Ms Churley, your amendment on page 3 that is listed in front of you.

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**Ms Churley:** As I mentioned earlier, this bill amends three different acts. I believe I'm on the second one now: An Act to amend the Ontario Water Resources Act, and the motion is the same as the last one. I want to achieve the same purpose in each of these three bills.

I move that subsection 2(3) of the bill be struck out. It's the same issue as before. I believe the government should still have the opportunity to give administrative penalties to CEOs of companies as well as the workers.

Again, because of time constraints, I won't repeat what I said before, but I feel just as strongly about it. I would hope that the government members, especially Mr Arnott, would support me this time. I know he knows I'm right.

**The Chair:** Any further discussion?

**Mr Barrett:** Again, I think everyone realizes we're now looking at the Ontario Water Resources Act section with respect to administrative penalties. As you've indicated, we already have discussed this and this is similar—it really relates to the Environmental Protection Act, subsection 1(1), that we had discussed previously. Again, just to clarify, this bill before us does repeal the ability for administrative penalties to be issued to directors or officers liability sections.

**Mr Bradley:** I should point out that particular provision from the 1998 legislation was never put into effect. There were never regulations promulgated. So there have been no charges and no fines levied under that provision.

Again, I would simply say I had a very open mind to this, to the argument that the member made and that others have made. Virtually everybody I've talked to in the environmental field—two I can think of who were environmental prosecutors with the Ministry of the Environment at one time—say that this is a weakening of the legislation rather than a strengthening of it.

On that basis, I'll be voting for the amendment again.

**The Chair:** Any further discussion? If not, I shall put the question on Ms Churley's amendment that subsection 2(3) of the bill be struck out.

**Ms Churley:** Recorded vote.

### Ayes

Bradley, Churley, Kwinter.

### Nays

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is defeated.

Ms Churley, if you wish to proceed with the next amendment.

**Ms Churley:** I move that section 2 of the bill be amended by adding the following subsection:

"(8) Section 109 of the Act, as re-enacted by the Statutes of Ontario, 1998, chapter 35, section 72, is amended by adding the following subsection:

"Annual report

"(6) Not later than March 31 in each year the minister shall publish, as part of the report published under subsection 187(9) of the Environmental Protection Act, a report that provides the following information with respect to the previous year:

"1. The number of prosecutions commenced in the year in respect of offences under this act, the number of convictions obtained in the year in respect of offences under this act and the total amount of fines imposed in the year in respect of offences under this act.

"2. For each prosecution that was commenced or determined in the year in respect of an offence under this Act,

"i. the identity of the defendant,

"ii. a description of the charge, and

"iii. if the prosecution was determined in the year, the result of the prosecution and the penalty, if any, that was imposed."

I make the same argument again as I made the last time and I perhaps will make it more strongly. I would appeal to my colleagues on the Tory side who have the majority there. This is a reasonable request, and I believe that if you don't at least support this, your argument that you're actually trying to strengthen laws is quashed. This

is giving the public information about what you're actually doing out there on an annual basis.

Right now we know prosecutions and fines are way down under your government with existing levels. If you're really serious and committed to this bill, which obviously is going to pass today because you have the majority, then why would you object to having written right into the law that there has to be a report every year telling the people all the great things you plan to do, the convictions and prosecutions you plan under this act? It would only make sense. It's logical.

**Mr Bradley:** In support of the amendment, I would say that I think people believe it is difficult to get information easily from government. This would make it easier for people to have access to that information to make their judgments, either to put pressure on governments, whoever they happen to be, to amend their legislation to be more effective or to applaud governments for making it effective. I think that is a goal we could reach with this amendment.

Second, I mentioned before that governments in general these days don't want the public to know what is going on, as much as possible, if it could possibly be embarrassing. Sometimes it isn't. But what you do is you simply protect polluting companies. Not only does the public not like that, but I'll tell you who else doesn't like it: good companies. Most of the companies out there are very good companies. They don't break the law. They want to see you put the finger on those companies which do and they don't want to see those companies which break the law making a greater profit as a result. On that basis I think it's a very sensible amendment and I certainly support it.

**Mr Barrett:** Again, we do object to this amendment. Prosecutions are conducted in open court and the public does have access to information; for example, the names of defendants and descriptions of charges laid and the outcome of the prosecution and the nature of any fines or jail terms.

Just following up on Mr Bradley's comment, the information will get out, and certainly it is becoming very clear that only companies that defy the law or engage in practices that are damaging to public health and the environment or cut operating or maintenance costs that result in an expense or damage to the environment need worry about these tougher penalties. Just to reassure Mr Bradley, this bill will level the playing field. Those who flout environmental laws will not benefit at the expense of good corporate citizens which do comply with environmental laws.

**Ms Churley:** I think we're almost on a 4:30 deadline here, so I don't know if we're going to get to my other amendments.

I submit to you, in response to what you said, Mr Barrett, that it's just the opposite. As I said earlier, under your government—and it's documented, we pulled the pieces together—there have been fewer prosecutions and fewer fines than under the NDP government. That is with the existing penalties as they are now.

I submit to you that the reason why you don't want to support putting this in the legislation is that you don't want, as a government, the embarrassment of having to put out every year a document that shows how few fines and prosecutions you're actually conducting under this bill, that you're going to try to sweep it under the rug. We disagree on that, but given the environmental record of your government to date, the idea is to have this on paper, toughest penalties in the world, but not actually prosecute. I think that's a shame. If you really meant this you would put your money where your mouth is and allow this to go into the act so that this report would be an annual report for all eyes to see.

**The Chair:** I shall put the question on Ms Churley's amendment to subsection 2(8) of the bill.

**Ms Churley:** Recorded, please.

### Ayes

Bradley, Churley, Kwinter.

### Nays

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is defeated.

Shall section 2 of the bill carry? All those in favour?

Those opposed? That carries.

It being 4:30, pursuant to the orders of the day, at 4:30 on the final day designated by the committee for clause-by-clause consideration of the bill, those amendments which have not been moved shall be deemed to have been moved and the Chair of the committee shall interrupt the proceedings and shall, without further debate or amendment, put every question necessary to dispose of all remaining sections of the bill and any amendments thereto. Any division required shall be deferred until all remaining questions have been put and taken in succession with one 20-minute waiting period allowed, pursuant to standing order 127(a).

So we shall proceed to section 3 on page 5 of the material in front of you.

Ms Churley has moved that subsection 3(1) of the bill be struck out. All those in favour of Ms Churley's amendment to subsection 3(1)?

**Ms Churley:** Recorded vote.

**The Chair:** If you want it recorded, we'll do the recorded vote after. It will be deferred until the end.

**Ms Churley:** OK. I want it recorded.

**The Chair:** Then we shall proceed to page 6.

Ms Churley has moved that section 3 of the bill be amended by adding the following subsection—it's on page 6 in front of you. It's recorded, so we'll defer it.

We'll proceed to page 7 in front of you dealing with section 4.

Ms Churley has moved that section 4 of the bill be amended by striking out subsections 1(1)—I don't think I have to read it; it's in front of you. You've called for a recorded vote on this.

We'll proceed to section 5 of the bill, which is the short title of the bill.

Shall section 5 of the bill carry? All those in favour? Those opposed? That's carried.

We'll now proceed to section 3 on the recorded vote that Ms Churley has requested on subsection 3(1).

**Ayes**

Bradley, Churley, Kwinter.

**Nays**

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is lost.

We'll proceed to subsection 3(7), Ms Churley's amendment.

**Ayes**

Bradley, Churley, Kwinter.

**Nays**

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is lost.

Shall section 3 of the bill carry? All those in favour? Those opposed? Section 3 carries.

Section 4 has a recorded vote.

**Ms Churley:** It's moot now. We can vote on it, but since the others failed, this no longer is relevant. It's moot. It depends on the passage of the others.

**The Chair:** We still have to deal with section 4. You requested a recorded vote.

**Ms Churley:** Right. My actual amendment is moot by the failure of the others.

**The Chair:** That's right.

Ms Churley has moved an amendment to section 4 on page 7 in front of you.

**Ayes**

Bradley, Churley, Kwinter.

**Nays**

Arnott, Barrett, Galt, Molinari.

**The Chair:** The amendment is lost.

Shall section 4 of the bill carry? Those in favour? Those opposed? That carries.

Shall the long title of the bill carry? Carried.

Shall Bill 124 carry? Carried.

Shall I report the bill to the House? Agreed.

This committee is now adjourned. Thank you.

*The committee adjourned at 1634.*











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**Assemblée législative  
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Première session, 37<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Thursday 30 November 2000**

**Journal  
des débats  
(Hansard)**

**Jeudi 30 novembre 2000**

**Standing committee on  
finance and economic affairs**

**Subcommittee report**

**Comité permanent des finances  
et des affaires économiques**

**Rapport du sous-comité**



Chair: Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 30 November 2000

Jeudi 30 novembre 2000

*The committee met at 1001 in room 151.*

## SUBCOMMITTEE REPORT

**The Chair (Mr Marcel Beaubien):** Since we have a quorum and it is after 10 o'clock, I'll bring the committee meeting to order. We are here to consider the report of the subcommittee, so the first order of business would be for someone to move and then to read the minutes of the subcommittee report into the record.

**Mr Gerry Phillips (Scarborough-Agincourt):** I move it. I gather we read the entire thing.

**The Chair:** Yes, please.

**Mr Phillips:** Your subcommittee on committee business met on Monday, November 20, 2000, and recommends the following with respect to pre-budget consultations:

(1) That the Minister of Finance be offered two hours in which to make a presentation and answer questions from the three parties (30 minutes per party).

(2) That staff in the Ministry of Finance be offered 60 minutes in which to make a presentation. Following this presentation, the three parties will each be offered 20 minutes to ask questions and make statements.

(3) That the Chair should forward, as soon as possible, to the three House leaders the committee's request to meet during the upcoming recess. Specifically, the committee would like to meet from February 13 to February 16 and from February 19 to February 22, 2001.

(4) That the committee intends to travel to Thunder Bay, Ottawa and London.

(5) That an advertisement be placed for one day in a major paper of each of the cities to which the committee intends to travel. Advertisements must be placed in both English and French papers if possible. An advertisement will also be placed on the Ontario parliamentary channel and on the committee's Internet page.

(6) That the newspaper advertisement will be sent out as soon as possible in December.

(7) That interested people who wish to be considered to make an oral presentation should contact the committee clerk by January 5, 2001, at 5:00 pm.

(8) That the deadline for written submissions is February 2, 2001.

(9) That each party will provide the clerk with a prioritized list of four expert witnesses on or before

December 15, 2000. The clerk will attempt to schedule the two highest priority witnesses from each list.

(10) That on January 9, 2001, the clerk will supply each of the three parties with a list of all the potential witnesses who have requested to appear before the committee.

(11) That each party will supply the clerk of the committee with a prioritized list of the names and phone numbers of the deputants they would like to hear from in any given location. These deputants must be selected from the original list distributed by the clerk to the subcommittee members. The list provided by each party will be provided to the clerk by January 16, 2001.

(12) The clerk will schedule witnesses from the prioritized lists provided by each of the three parties. Each party is entitled to select the same number of witnesses.

(13) That expert witnesses will be offered 60 minutes in which to make a presentation; groups will be offered 30 minutes in which to make a presentation and individuals will be offered 15 minutes in which to make a presentation. The Chair and/or the subcommittee may modify these times.

(14) That if all groups can be scheduled in a given location the clerk can proceed to schedule all interested parties, and therefore no party list is required for that location.

(15) That the research officer will send out a draft report to the committee members on March 19, 2001.

(16) That the committee will meet on Thursday, March 22, 2001, for report writing.

(17) That witnesses' expenses will not be reimbursed.

**The Chair:** Mr Phillips has moved the minutes of the subcommittee report. Any discussion?

**Mr Doug Galt (Northumberland):** Do you want a second before we go ahead or do you have one?

**The Chair:** No, we don't need to second it.

**Mr Galt:** May I raise a couple of points?

**The Chair:** You certainly may.

**Mr Galt:** One has to do with the dates of sitting and the other has to do with locations that we are going to visit. I'm looking in my organizer, and it tells me that February 16 is a Friday. In rural Ontario they look for the member around on Friday. I understand it is rather important that the starting date be the 13th. I'm not locked in, but I'm just wondering if it could be at least considered that, rather than February 16, we maybe meet the week of the 26th or 27th to make up for that day. If

the other members feel the same way, great. If they feel they want to do it straight through, I can work with it. I'm just wondering if they've really looked at the calendar and seen that—

**The Chair:** If I may reply to that, Mr Galt—

**Mr David Young (Willowdale):** David Christopherson was here and he seemed to think Valentine's Day was, I shouldn't say this publicly, February 22, so we were working around that. Anyway, never mind.

**The Chair:** But the reason why we're meeting on—you make a very valid point with regard to Friday, but we didn't want to spread the meetings over a period of three weeks. We were trying to compress it so that we could get the job done, as opposed to dragging it on. Basically, that was the intent of the subcommittee, why we decided we would meet on the Friday. It's a very valid point that you're making.

**Mr Galt:** I wanted to raise it. There were concerns made and I certainly recognize the democratic process, if others are comfortable with it. I don't have anything on that day right now, so we'll just block it out. I just thought I'd raise it.

The other one: last time, we went to some of the smaller communities, like Kenora and Brockville, and I notice we're going this time to Thunder Bay, Ottawa, London. It's sort of the standard circle. It's very blasé in those communities when you go in. If we go to Kenora, Brockville—I'm trying to remember some of the other ones we went to—

**The Chair:** Chatham.

**Mr Galt:** Yes, Chatham—they get quite excited that there's a legislative committee in town. It's a big news day. You know, the opposition gets a chance to roll out their goods. I'm trying to help them out.

Seriously, Chair, I think that looking at some of the medium-sized communities has some advantage. We go to Thunder Bay, Ottawa, London. I know they are rather strategic, but maybe we should think of, I don't know, Dryden, Kingston, Niagara Falls, Brantford or something.

**The Chair:** Again, that's a point, Mr Galt, that we did discuss in the subcommittee, but we felt that we would alternate between the smaller centres one year and then go to the larger regional centres the following year so that we had a balance as to what is going on. You know, the Ottawa region because you've got the high-tech; you've got a lot of economic activity. The subcommittee felt that since we went to the smaller centres last year, we should look at the larger regions this year, and then probably go to the smaller centres next year. That was the thinking and the rationale behind it.

**Mr Galt:** Do we have that etched in stone for next year?

**The Chair:** I don't know who's going to be Chair or who's going to be on the subcommittee, but I'm sure that we can probably pass the feeling of this committee to the following committee.

**Mr Galt:** Gerry will be here. Gerry will be on the committee.

**Mr Phillips:** I'm afraid I might.

**Mr Young:** Mr Chair, if Dr Galt is done with his comment, I'd like to move a number of amendments, if I may. I certainly would welcome your guidance and the guidance of staff as to the best way in which to table them. What I was going to propose is that I simply proceed down the—

**The Chair:** Do them one at a time.

**Mr Young:** One at a time? OK. That may be the easiest. The first relates to the time that the Minister of Finance will be available on Tuesday, February 13, 2001, and I would like to amend the subcommittee conclusions to read as follows:

"The Minister of Finance will be available on Tuesday, February 13, 2001, for one hour to present and answer questions from the three parties."

I'm certainly prepared to go over the history of appearances by finance ministers over the years, and it's my view that the proposal that I have now put forward accords with the history over the last number of years. There have been some years when the Minister of Finance has been present for a greater period of time and there have been some years when the Minister of Finance has not been present at all. So it's my view that this would be a reasonable period of time and I move that as an amendment.

**The Chair:** So on February 13, the minister would be present for one hour to make his presentation and answer questions.

**Mr Young:** Yes.

**The Chair:** I wonder if I should get out of the normal procedure because Mr Christopherson is not here. He's at a meeting in the House leaders' office. If we went through all the amendments, maybe we could recess for a couple of minutes while I go up and explain it to him, as opposed to coming back and—would that be OK?

**Mr Young:** Whatever you prefer.

**Mr Phillips:** He's indicated to me orally, and I know that he has to you, that he's in agreement with it as it is. If there are any substantive changes—I've mentioned that there'll be the normal amendment to one hour, but if there are any other substantive changes, we probably should discuss them with him. If not, I think he's kind of given us his proxy vote.

**The Chair:** We'll put this one in abeyance and go to your second one.

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**Mr Young:** Just to be clear before we move on, I'm proposing that instead of 30 minutes per party, be offered, 10 to 15 minutes per party be offered during that period of time, so you have that in brackets, the 30-minute—

**The Chair:** That would be changed to 15 minutes?

**Mr Young:** Yes.

**The Chair:** OK.

**Mr Young:** The next one I don't think is very controversial, but if we skip down to point 3—I'm sorry. I'm content with point 3. Should we have a further discussion about the timetable, though? It appears in a number of



different points. I have some concerns that it now being almost the beginning of December, we are setting a relatively short period of time for individuals and groups to get back to us. If we go through the list here—let me go through them one at a time.

Decision 7, I guess, is an example of that. We see that interested parties are to contact the committee clerk by January 5. I'm wondering whether we should extend that to January 12 or January 17. I don't know if there's any great concern about that, but it is of some concern to me as I look at it again.

**The Chair:** That's on number—

**Mr Young:** I think that first appears at number 7.

**The Chair:** You're suggesting January 12?

**Mr Young:** January 12 or 17.

**Mr Galt:** Excuse me, Chair. Is there any reason it has to be early, as long as we know a couple of weeks ahead?

**The Chair:** That's about the same timeline we had last year.

**Mr Galt:** I can certainly empathize with the comments being made, giving them a little more time.

**Mr Phillips:** Generally speaking, I'm for more time. I can't remember what it was. I thought it might have been a staff thing, for scheduling reasons.

**The Chair:** What are you suggesting, January 12 or 17?

**Mr Young:** Why don't we take January 17?

**Mr Phillips:** I'm fine with that.

**Mr Galt:** That still gives you almost a month to select and line them up.

**Mr Young:** I think we have agreement on that.

If we move on to decision 9, this is a matter of logistics for those who might wish to become involved in this process. I'm proposing that we consider a time extension. We're now talking about hearing back from parties by December 15, which is essentially two weeks from now. I'd suggest maybe we push that off to December 22, again to give them a little more time.

**The Chair:** December 22, OK. That's on number 9.

**Mr Young:** If we are going to modify 7 and 9, I guess we also have to give some consideration to decision 10, since in decision 10 we're asking the clerk to supply each of the three parties with a list of potential witnesses. If we've extended the date, as we have done, to January 17, it may be difficult for the clerk to get back to us on January 9.

**Mr Galt:** They can do impossible things.

**Mr Young:** They're a very capable crew, but that might be too much to ask for. Can we then say that maybe the clerk get back to us by—

**Mr Galt:** January 20?

**Mr Young:** Sure. I was going to say the 19th. I think the 20th may be a weekend, but I'm in their hands as to what would work for them. Is the 20th a Saturday?

**Clerk of the Committee (Ms Susan Sourial):** It's a Saturday. January 19 is a Friday.

**The Chair:** What about the Monday or Tuesday?

**Mr Galt:** Make it January 22.

**The Chair:** Is that OK? January 19 seems to be satisfactory.

**Mr Young:** Mr Phillips, are you content?

**Mr Phillips:** Yes, I'm very comfortable with that.

**Mr Young:** Just a couple more on scheduling. Decision 11, as I go through this, should be modified because we were talking in terms of January 16 in the original motion.

**The Chair:** So it should be the 19th again?

**Mr Young:** I'm in your hands and the hands of the clerk, whatever they feel is most appropriate.

**Clerk of the Committee:** January 19 is for me to provide the list to the members. It states in point 11 that the parties that come back—

**Mr Young:** Fair enough. Then the question is to us. What date do you want to choose? Do you want to choose—it would be too late, I guess, if we went to the 27th. Do you want to say something like the 24th or the 25th?

**Mr Phillips:** Either day is fine.

**Mr Young:** Why don't we go with the 25th?

**Mr Phillips:** I don't have any difficulty with any of those, apart from number 1, obviously.

**Mr Young:** I need some clarification on decision 13. I know we talk in terms of the Chair being able to modify times. Can you help me, Mr Chair, with whether that modification can be made once the hearings begin?

**The Chair:** No. I think basically what we did last year was agree we would stick to the scheduled presenters with the same time references they had. As Chair, I would personally not prefer having the authority to change the times or the speakers. I think that once the schedule is set, it should be cast in stone. That way I can remain impartial and it makes my decision-making process a heck of a lot easier.

**Mr Young:** OK. Go ahead, Doug.

**Mr Galt:** I was just going to query about the expert witnesses. I gather the deputy minister would be one of the expert witnesses?

**The Chair:** Economists from the banks, and I don't know who else.

**Mr Phillips:** Normally, Doug—Dr Galt—it's not the bureaucracy. Each of us submits a list of, normally, bank economists—Sherry Cooper, someone like that—who we think are knowledgeable outside experts. I think expert witnesses are outside the employment of the civil service.

**Mr Galt:** But we will have the ministry, the deputy minister on the following Tuesday—

**Mr Phillips:** Yes, they're there on the following Tuesday. The Tuesday is when the minister and the—

**Mr Young:** Deputy.

**Mr Phillips:** In the morning, I think, and then the ministry staff. Then we move into the outside witnesses.

**Mr Galt:** So how many of these experts? Is this something each party will select, or is it historical?

**Mr Phillips:** Historically we've had six of them over part of a three-day period.

**Mr Galt:** You'd think I could remember back to last year, wouldn't you?



**Mr Phillips:** I think they tend to always be bank economists or economists of financial institutions of some sort.

**The Chair:** And the independent business people, I think.

**Mr Young:** Those are the amendments I wish to put forward.

**The Chair:** OK. Thank you.

**Mr Galt:** We would be looking at one day per community that we're visiting?

**The Chair:** That's right.

**Mrs Tina R. Molinari (Thornhill):** Just to clarify, those who will be speaking under point 13 are all outside people; they're not from the government?

**The Chair:** That's correct.

**Mrs Molinari:** Is this consistent with what we did last year—the 60 minutes for—

**The Chair:** Yes.

**Mrs Molinari:** Is there a limit on how many expert witnesses will be having that 60-minute slot?

**The Chair:** Two per party. There will be six.

**Mrs Molinari:** So there will be a maximum of six?

**The Chair:** Six.

**Mrs Molinari:** OK.

**The Chair:** Any other questions?

**Mr Phillips:** I have no difficulty with all the amendments, other than number 1. I just make the point that at some stage we should try to make these committees work. I'm not blaming any particular party, but it really is unusual that the finance and economic affairs committee—I think the finance minister is here only one hour a year. I don't think he has come for any of his bills. I don't think he has ever appeared, that I can recall, in the last two or three years, other than for one hour at pre-budget, which gives each party maybe 15 minutes and maybe two questions to him.

I would have thought the finance minister would actually welcome an opportunity to have a good discussion with a legislative committee on economic and financial issues. Maybe it's a bit cruel to say it, but I think he spent six hours with Tiger Woods, and that's more time in total than he spent with our committee since he became finance minister.

I know that we in the opposition have no power to overturn this thing, but at some stage I think we should say that surely, as an all-party legislative committee trying to deal with the economy and finance, we are owed more than a total of one hour by the finance minister. I'm sure he will make a 15-minute presentation and, as I said, each party may get two questions to him and then like a phantom he's gone for another year, never to be seen again. I think it's unfortunate and kind of makes a bit of a sham of what should be a good debate with the finance minister on economic and fiscal policy.

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**Mrs Molinari:** Talk to the PA about it.

**Mr Young:** That's apparently the safe—

**The Chair:** Mr Young.

**Mr Young:** By the way, thanks for mentioning that the other day. Not that I intend to convince the previous speaker of the fact that he's wrong but, for the record, let me briefly say that we've had this discussion before. We've talked about what was done by other finance ministers and members of other parties when this committee was conducting very similar business. It's my view that the proposal I have put forward is consistent with the activities of earlier years and other ministers.

In fact, there are some years where ministers have chosen not to show at all. We could argue as to whether or not two hours is the appropriate number and whether that would allow for a fulsome debate or whether or not one hour is the appropriate number. But clearly we have a disagreement. I think that everyone around this table understands that the Minister of Finance, the Deputy Premier, has numerous responsibilities. They are many in number and also of great importance, and the fact that he isn't in one place for a particular period of time requested by an opposition party whose job it is to oppose—it should be considered in that context. I'm quite comfortable that we will have the debate that should be had if my amendment is passed.

**The Chair:** Mr Phillips, I'm going to have to consult—do you want to respond?

**Mr Phillips:** I know he's a very busy guy and that he could barely spare six or seven hours for Tiger Woods. That doesn't wash, that "he's a very busy guy." I'm in opposition but I'm a duly elected member of the Legislature. This is an all-party committee set up to try and deal with financial and economic issues. My job is more than to oppose. My job is to try—and our job here in the Legislature, this legislative committee. Our job is not to oppose; it's to attempt to provide the Legislature with some advice. Let's just cut to the chase. He won't show up for more than an hour and so it's the end of the debate. I don't think there's any logical reason why he won't come for more than an hour. It's unfortunate, because I think the public expects that there's a reasoned discussion around fiscal and economic policy. It doesn't occur in question period, by the way. That's just a question-and-answer period. There's no discussion and debate and opportunity to exchange ideas. So there it is.

**Mr Young:** I feel compelled to say one last thing and I promise, regardless of any response that may come from Mr Phillips, that I won't reply any further.

**Mr Phillips:** That gives me a good opening.

**Mr Young:** If you don't take this one, I'll be disappointed, Gerry.

In fact we do take this committee very seriously, and I think that is why there are four members of the government here today, all individuals who are duly elected and who are very capable people. You know, there's only one member of the opposition party present. We certainly are pleased that Mr Phillips is here. But as we look for standards to assess whether or not we take this process seriously, I would ask anyone who cares to consider today's proceeding and the proceeding of this committee generally to consider the attendance at this proceeding.

**The Chair:** Since we have a somewhat proxy vote here from Mr Christopherson, I'm going to ask for your input. Do you think—I did talk to Mr Christopherson yesterday and I don't think there's any problem with (7), (9) and (11). I think he would be receptive to that. What about to (1)?

**Mr Phillips:** I think he would feel as we feel, that the amendment is inappropriate, so I don't know how you record it. In fairness to Mr Christopherson, the reason he isn't here is that he has many hats and I think it's unfair to criticize him for not being here. He told all of us he couldn't be here, because of the House leaders. He said if there were any reason we needed him on an urgent basis, we could go and get him out.

**The Chair:** I have to concur with that, because we had the same conversation.

**Mr Phillips:** I just think it's an unfortunate situation, him not being here, but I think in fairness to him, he made his position clear and said if we needed him, he'd come right away.

**The Chair:** I guess we'll proceed with voting on the amendments and we'll go back to number 1.

Mr Young has moved that the Minister of Finance, on February 13, be offered one hour to present and answer questions, and in the brackets, as opposed to being 30 minutes, that would be changed to 15 minutes per party. Am I correct? Is there any further discussion on that? If not, all those in favour? Opposed? The amendment carries.

We'll go to amendment number 7. Mr Young has moved that the date of January 5 be changed to January 17, 2001. Is that correct, Mr Young?

**Mr Young:** I actually gave my notes to the clerk, but I believe that is correct.

**The Chair:** Is there any further discussion on that motion? If not, all those in favour? That carries unanimously.

We'll go to number 9. Mr Young has moved that the date be changed from December 15 to December 22. Somebody is having a birthday on that day. Is there any further discussion on that? If not, all those in favour? Opposed? The motion carries unanimously.

**Mr Young:** We'll still be sitting on the 22nd, won't we?

**The Chair:** That's correct.

I think you moved on number 10. I wrote over it. I think it's that the date be changed from January 9 to January 19.

**Mr Young:** Yes.

**The Chair:** Any further discussion on that? If not, all those in favour? Opposed? The motion carries unanimously.

Number 11, that the date at the end of the paragraph be changed from January 16 to January 25. Is that correct?

**Mr Young:** Yes.

**The Chair:** Any further discussion? If not, all those in favour? Opposed? The motion carries unanimously.

We'll need a motion to approve the—

**Mr Galt:** Just one query. It probably doesn't need to be in here, but the time of day that we'll be sitting, is there a tradition?

**The Chair:** Usually around 10 o'clock, I think, until 5 or 5:30.

**Mr Galt:** I think we need to establish the time, at least verbally, whether it's in the minutes or not. I think 10 o'clock is kind of late, isn't it? Gerry, is there a tradition?

**Mr Phillips:** Well, Ernie doesn't like to get here before 10.

**The Chair:** The clerk tells me that if we're in Toronto, we usually start at 9, and on the road usually around 10.

**Mr Young:** Yes, but I think that first Tuesday, we're going to start at 10.

**Mr Phillips:** I would think so, yes.

**The Chair:** I'm sure we can provide the scheduling ahead of time.

**Mr Phillips:** We wouldn't want to get him up too early.

**Mr Young:** We get our briefs ready in the early morning and then get ready to go.

**The Chair:** We need to vote on the amended sub-committee report.

**Mr Galt:** So the time in Toronto will be 10 until 5 o'clock?

**The Chair:** Until 5 or 6 o'clock.

**Mr Galt:** From 10 until 6?

**The Chair:** Yes.

**Mr Galt:** And on the road, 9 until 5?

**The Chair:** The other way around. I would say that in Toronto, it would probably be more like 9 to 5 or 9 to 6, and on the road it would be 10 to 5.

**Mr Galt:** Oh, Toronto would be 9 to 5.

**The Chair:** It depends on the flight connections sometimes. If you recall last year—where was it?—in Kenora, we had to end the meeting at 4:30, if I recall.

**Mr Galt:** So basically, the time that's important is in Toronto. When we're on the road, it's—

**The Chair:** That's right. I think we can leave that with the clerk to coordinate the times, but in Toronto, it's usually 9 to 5.

**Mr Galt:** Are we travelling the last three days or have we decided on that?

**The Chair:** On the 18th we're in Ottawa, I think, right?

**Clerk of the Committee:** Friday, the 16th, we're in Thunder Bay; Monday, the 19th, in Ottawa; and Tuesday, the 20th, in London.

**Mr Galt:** Can we fly direct from Ottawa to London?

**Mr Young:** We probably cannot. We can look into that but what we thought we might do is—and we can talk about this afterwards—after we complete our hearings in Ottawa, we would fly to Toronto, in all likelihood, and then simply drive or fly out to London from there. We could go right from the airport. If there's a direct flight, sure, that would be great, if we can arrange one.

**The Chair:** I think there is a direct flight from Ottawa to London.

**Mr Young:** Is there? OK. Well, maybe that's what we'll do. That would be even better.

**The Chair:** Yes, usually there is.

**Mr Young:** OK, that's what we'll do.

**Mr Phillips:** There are no train trips for you, Doug.

**Mr Galt:** Well, it was just going through my mind. We push ourselves pretty hard on these committees. We sit all day and then travel all night. I just wondered if we needed to push quite that hard.

**The Chair:** I don't think this will be as intense as it was last year. Last year was pretty demanding.

**Mr Young:** Getting a big salary increase.

**Mr Galt:** I was looking for compensation in a different way.

**The Chair:** If I can get your attention for a minute so we can bring this meeting to an end, we need to vote on the amended subcommittee report. All those in favour of the amended subcommittee report? Opposed? That carries.

I don't think we have any further business. Is there anything that members wish to raise at this point in time? If not, this committee is now adjourned.

*The committee adjourned at 1033.*











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## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 13 February 2001

# Journal des débats (Hansard)

Mardi 13 février 2001

**Standing committee on  
finance and economic affairs**

**Comité permanent des finances  
et des affaires économiques**

Pre-budget consultations

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 13 February 2001

Mardi 13 février 2001

*The committee met at 1000 in room 151.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** If I could get your attention for a moment, please. I've just been informed that the minister is stuck on the Don Valley Parkway. There will be about a 10-minute delay, so I think we'll reconvene at around 10:15 this morning.

*The committee recessed from 1000 to 1010.*

## MINISTRY OF FINANCE

**The Chair:** If I could get your attention, I'd like to bring this committee to order. First of all, I would like to welcome the new Minister of Finance. Welcome, Minister. It's a pleasure to have you here this morning.

**Hon Jim Flaherty (Deputy Premier, Minister of Finance):** Thank you.

**The Chair:** There are a couple of announcements I would like to make for the record. The standing committee on finance and economic affairs will be meeting in Toronto today—February 13—February 14, 15, 21 and 22. Furthermore, the committee will be meeting in Thunder Bay on February 16, in Ottawa on February 19 and in London on February 20.

The last item I would like to mention is that for those members or groups that have not been successful in being able to make a personal presentation to the committee, written submissions will be accepted until February 22.

With that, Minister, you have one hour for your presentation.

**Mr Gerry Phillips (Scarborough-Agincourt):** Mr Chair, just before he begins, two things. One is, congratulations to the new minister, and welcome. We look forward to your visit with us in the pre-budget hearings.

I also submitted a list of questions to the ministry staff. If those answers are ready now, it would be useful, to us at least, perhaps to have them distributed as the minister is answering, because they may lead to some questions from our side.

**Hon Mr Flaherty:** I think we have them.

**Mr Phillips:** Thank you.

**The Chair:** So the answers will be distributed? Thank you. Anything else, Mr Phillips?

**Mr Phillips:** That's fine. Thank you very much.

**The Chair:** If there are no other comments from the members, Minister, you have the floor.

**Hon Mr Flaherty:** I am pleased to have this opportunity to address the standing committee on finance and economic affairs.

Today, I will be providing the committee with updates on Ontario's third-quarter economic accounts and third-quarter finances as well as information on how the province is positioned to weather economic turbulence that may result from the slowdown in the United States economy. This information will clearly demonstrate that our economic and fiscal plan is working and that our plan to continue to lower taxes and cut red tape will help ensure that Ontario is better positioned than ever before to withstand economic challenges.

The province is situated to weather economic turbulence that may result from the slowdown in the US economy. Ontario has experienced remarkably strong real GDP growth over the past four years. In the past two years alone, Ontario has had the best two years of growth since 1984-85, with real GDP advancing about 12%. This is well ahead of growth of about 9.5% in the US and 8.2% in the rest of Canada over the same period.

In Ontario, this consists of 6.1% growth in 1999—the fastest of any province in Canada—and 5.5% growth estimated for 2000. This exceeds our cautious 2000 budget projection of 4.6% growth for 2000. Despite Ontario's record growth, we must continue to lower taxes and cut red tape to meet the needs of a changing economy.

Strong domestic consumer and business spending, stimulated by tax cuts, has powered Ontario's economic growth. Since our government came to office, about 80% of our economic growth has been due to domestic spending by businesses and consumers. The third-quarter economic accounts confirm this trend. Net exports are actually lower than they were at the end of 1998. In spite of this, Ontario had very strong economic growth in 2000, driven entirely by domestic demand.

Business investment has been a major component of domestic spending growth. In the third quarter, machinery and equipment investment was more than 25% higher than a year earlier, as high-capacity utilization rates and growing business demand for high-technology equipment, processes and services continued in many sectors. Consumer spending has also been healthy, reflecting the

steady rise in the real disposable income of the people of Ontario.

By putting more money in the hands of consumers and businesses and making it more attractive for businesses to invest in Ontario, our economic and fiscal plan is helping to create jobs in Ontario at a record pace. In July 2000, our government met our first mandate target of creating 725,000 net new jobs over five years. Since then, Ontario has added a further 119,900 jobs, putting us well on our way to meeting the Blueprint target of 825,000 jobs over the following five years.

For the year 2000 alone, Ontario created 184,000 net new jobs. The years from 1998 through 2000 were the strongest three years of job creation in our history. During that time, we gained over 558,700 new jobs, with employment growth rates well above those of the United States or the rest of Canada. Ontario's unemployment rate in 2000 was the lowest in a decade, at 5.7%. This was down sharply from 9.2% at the time we began cutting taxes.

Our job creation policies are also succeeding in giving people a hand up rather than a handout. Since 1995, nearly 570,000 people have broken free from welfare dependence.

In the first half of the 1990s, Ontarians suffered the worst drop in their standard of living since the Great Depression of the 1930s. The real income of the average Ontarian in 1995, as measured by GDP per person, was lower than at the end of the 1980s. Our government's policies have turned things around. From 1996 to 1999, real GDP per person in Ontario jumped almost 12%, considerably more than in the rest of Canada or the average in the industrialized countries.

The growth of Ontario's economy over the past two years has been exceptional, but demand in our key market, the United States, has slowed. This is leading to slower economic growth in Ontario. This slowing of economic growth was not anticipated. In our budget last May, we predicted strong growth in 2000, followed by a slowing of real GDP growth in 2001 to a more sustainable 3.1%. As we enter 2001, this projection is still close to what we expect. This is consistent with expectations of private sector forecasters, whose projections for 2001 average 2.8%.

I want to take this opportunity to emphasize that this slower rate of growth is not tantamount to recession. Even the most pessimistic private sector forecast is for 2.2% growth for Ontario in 2001. The most important element contributing to the slowdown is a pause in the US economy. The overheated US economy was due for a slowdown, and the US Federal Reserve raised interest rates in 2000 specifically for that purpose.

Now that US growth has slowed, the Fed is aggressively easing rates and a significant recession in the US remains unlikely. Only 5% of leading US private sector forecasters think the US economy has slipped into a recession. Furthermore, the slowdown in the US is expected to be short-lived. Interest rate cuts should boost

US activity in the second half of year, leading to a rebound in Ontario's exports to the US.

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The growth momentum in Ontario and Canada from domestic demand is very strong due to the substantial tax cuts. This suggests that Ontario could outperform the US in 2001. However, we recognize that there is still more to do. We will continue with the agenda of the Common Sense Revolution to make sure that Ontario is ready for whatever the future brings.

The fact that our economy has become increasingly diversified helps to buffer us from economic shocks. When people think of Ontario's industry they usually think of cars. In fact, the fastest area of growth in the past two years has been in high-technology industries, such as telecommunications, electronic manufacturing and computer services.

Over the past two years high-technology production has grown by a phenomenal 55%. The third-quarter 2000 economic accounts show that growth in high-tech output accounted for fully 34% of Ontario's real GDP growth. High technology is particularly important to our economic well-being because it leads to higher productivity growth and to good jobs that fully utilize our highly educated workforce.

Even if the US goes into recession, we are in a far better position than we were just a decade ago to withstand the impact. When we followed the US into recession in the early 1990s and ultimately suffered a longer, deeper recession, this was as a result of our own doing. In the early 1990s Ontario was raising taxes, not cutting them. We were running deficits, not surpluses. Our debt was rising, not falling. Government inefficiency and overspending were driving businesses away from Ontario, not attracting new investment, as we are today. Welfare rolls were climbing, not falling. Personal debt levels were high, mainly as a result of the overheated housing market. In the private sector, our companies were lagging the US in undertaking the restructuring necessary to adjust to technological change and global competitive pressures.

A decade ago all governments in Canada were raising taxes and running deficits. This drove net public debt as a ratio of national GDP to almost 104% in 1995-96. Inflation was high and inflationary pressures were greater than in the US. The Bank of Canada had raised interest rates to levels far above those in the US. The Canadian dollar was overvalued, pricing our exports out of the market.

The fact that we suffered a more severe recession than the US in the early 1990s underscores how inappropriate economic and fiscal policies can undermine our competitiveness and economic performance. On the other hand, the right mix of economic and fiscal policies provides the foundation for a strong, competitive economy.

Our government came to power with a clear plan to put Ontario back on track through our long-term strategy for jobs and prosperity. We have implemented this strategy in a decisive and consistent fashion through five



successive budgets. We first outlined this strategy in the Common Sense Revolution. In the CSR we said we would cut taxes, reduce red tape and balance the budget while investing in innovation and infrastructure to improve our competitiveness for the future.

In 1999, following extensive consultations with Ontarians, the Ontario Jobs and Investment Board provided us with more specific recommendations on implementing our strategy for jobs and prosperity through its report, *A Road Map to Prosperity*. In seeking our second mandate we reiterated this strategy through the Blueprint document, where we reaffirmed our commitment to creating jobs by cutting taxes and eliminating barriers to growth.

In paper E of the 2000 budget, we once again confirmed and outlined our economic strategy: lowering personal income taxes to encourage high levels of domestic demand and to boost incentives for creativity and hard work; lowering corporate income taxes to attract and retain globally mobile investment; encouraging innovation and small business entrepreneurship and attracting and retaining highly skilled individuals; rebuilding and expanding strategic provincial infrastructure such as highways, schools, colleges and universities, and hospitals; restoring fiscal balance and reducing provincial debt levels.

We knew from the outset that our economic and fiscal plan would create good jobs and raise the standard of living of all Ontarians. We never wavered in that thinking. The results have proved us right. It is now clear to all levels of government that cutting taxes is the best way to foster growth, create good jobs and raise the standard of living.

In our last provincial budget, we challenged the federal government to follow Ontario's lead and provide the Canadian economy with the fiscal and economic stimulus to make Ontario the most competitive jurisdiction in North America. Last year the federal finance minister, Mr Martin, finally began to respond to our challenges with tax reductions for Canadians. However, he could and should have done more.

Now, Mr Martin is pointing to tax cuts as providing just the buffer we need against economic slowdown in the United States. As Mr Martin told an international audience in New York recently, "A healthy mix of strong fundamentals—fiscal surpluses, low inflation, tax cuts and forward-looking policies—means that Canada is better positioned than it has been in decades to manage economic turbulence."

Similar sentiments were voiced recently by Gordon Thiessen, the recently retired governor of the Bank of Canada, who said, "Because of these improvements, our economy is now in a better shape than it has been for some time to deal with all kinds of external shocks—including fluctuations in US demand for our products."

Through our plan, we have laid a foundation of sound economic and fiscal policies that positions us to ride out any slowdown in the US and indeed to outpace the US in terms of growth. As we enter a period of more sustain-

able rates of economic growth, our plan will protect the gains we have made and keep Ontario growing.

Looking beyond 2001, our plan positions Ontario to continue to prosper in a growing North American economy. Ontario's strong fundamentals underpin our continued economic growth:

- Tax cuts are fuelling domestic demand and making our corporate tax rates competitive with the United States;

- Construction activity is expected to remain strong;

- Our budget is in surplus, and net debt is declining;

- Low core inflation lets the Bank of Canada cut rates without fuelling inflation;

- Companies are undertaking the necessary restructuring to improve efficiencies;

- The Canadian dollar is at a level that makes Ontario's exports very competitive;

- The Ontario economy is more diversified than in the past;

We are poised to succeed in the knowledge-based economy, with the most educated workforce in the OECD, an excellent research and training system and a sophisticated high-technology infrastructure.

Our economic and fiscal record demonstrates how well our plan for prosperity has worked.

Cutting taxes, including personal income taxes, is the single most important act that governments can take to create a more dynamic economy with stronger growth today and in the long term. Since we came to office, we have cut provincial personal income taxes significantly—by more than 40% for lower and middle income earners and by at least 20% for higher income earners.

With the introduction of the made-for-Ontario income tax system, we have been able to offer other forms of tax cuts in addition to rate cuts. For example, we have announced enrichments to the value of certain tax credits, including increases to the disability and education amounts. The Ontario income tax system is now fully indexed to ensure that inflation will not erode the value of these tax cuts in the future.

Through our made-for-Ontario initiative, Ontarians' capital gains are now taxed at half the rate applied to other income. We have moved to help high-tech firms attract and retain research employees by eliminating Ontario income tax on the first \$100,000 of taxable stock option benefits each year.

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We will continue challenging and working with the federal government to provide a tax system that encourages job creation and growth and that is administered at a reasonable cost to taxpayers. We are pleased to see that the federal government is recognizing that tax cuts create growth and jobs, and is following our lead by cutting income taxes. I encourage the federal government to cut its income tax rates by the same proportion as we have.

In 2001, a family with two children and income of \$60,000 from two earners will save \$1,865 in Ontario personal income tax, or more than 40%, as a result of our government's tax cuts. In contrast, federal personal



income tax savings for this family will be \$1,210, or about 15%, as a result of federal tax cuts that began in 1998. When the federal government's tax reduction plan is fully implemented in 2004, this family's federal personal income tax savings will rise to \$1,650, or about 20%.

Canada's personal income taxes are still too high by international standards. Tax cut plans in the US could further widen the gap between Canadian and US rates. In the global marketplace, Canada cannot afford to be known as the jurisdiction with the highest tax rates.

We have also lowered corporate income taxes to attract and retain globally mobile investment. Our cuts in the corporate tax rate are scheduled to bring our combined federal-provincial rate well below current rates in the US Great Lakes states, our key competitors for jobs and investment. When our corporate tax cuts are fully in place in 2005, Ontario's combined federal-provincial corporate income tax rate will be more than 10 percentage points lower than the average rate of the US Great Lakes states. By 2005, Ontario will be tied with Alberta for the lowest general corporate income tax rates in Canada, and we will have cut our small business rate by more than half. At 4%, Ontario will have the second-lowest small business rate in Canada.

However, Canada's corporate income tax rate needs to be more internationally competitive. Canada has the highest corporate income tax rate among industrialized countries. Ontario is acting to reduce the general corporate income tax rate by almost half by 2005 to improve our international competitiveness. If the federal government were to accept our challenge and match our corporate tax cuts, Ontario's combined federal-provincial rate, at 23%, would be among the lowest in the world.

Paul Martin said recently that the recipe for success in the global knowledge-based economy includes "a globally competitive tax system that fosters entrepreneurship." We urge Mr Martin to act on these words and make our tax system the most competitive anywhere.

Our plan is positioning Ontario to succeed in the high-tech knowledge-based economy. Advanced skills support growth across all sectors of the economy, particularly in fast-growing new economy industries such as information technology, telecommunications and broadcasting media. In 2000, employment in these industries in Ontario grew to 359,000, with a growth rate of over 10% from 1999.

We already have the most highly skilled and educated workforce in the OECD. We are building on that strength by expanding our post-secondary system with the largest capital investment in 30 years. Through SuperBuild, the province and its partners are investing \$1.8 billion to create 73,000 new student spaces in universities and colleges. We are also generating strategic partnerships between business and institutions to create the skills needed for competitiveness and to increase the speed with which institutions can respond to industry's training needs.

New ideas based on innovation, research and entrepreneurship are a major source of economic growth and jobs. We are building world-class research and development capacity at our universities, colleges and hospitals through the Ontario R&D challenge fund and the Ontario Innovation Trust.

Ontario's positive business climate also supports entrepreneurship, R&D and the retention and growth of high-tech workers. For example, we are eliminating Ontario personal income tax for eligible research employees of R&D-intensive firms on up to \$100,000 of taxable stock option benefits and associated taxable capital gains per year.

Last October, we announced the research-oriented investment fund program, which supports access to venture capital from labour-sponsored investment funds for emerging firms conducting R&D.

Our plan has put our fiscal house in order. By refocusing government on core services and through sound management, we are on track to achieving a second consecutive budget surplus and have begun to pay down net provincial debt.

The recent upgrading of Ontario's debt rating by Standard and Poor's is a concrete expression of confidence in our fiscal and economic management. Standard and Poor's now gives Ontario the second-highest rating among the provinces, after Alberta.

In announcing the upgrade—the first they have conferred on Ontario since 1988—Standard and Poor's said this reflects "the expectation of continued favourable fiscal policy, geared toward modest but steady debt reduction, even should the pace of economic growth fall from the high levels of recent years."

As well, just last Friday, Moody's revised its outlook for the province from stable to positive, citing Ontario's improving fiscal performance and "the promise of debt reduction over the medium term."

I am pleased to report that, as at third quarter, we are on track for a \$1.4-billion surplus in 2000-01.

In the 2000 budget we increased our commitment to reduce net provincial debt by at least \$5 billion during this mandate. By the end of this fiscal year we will be more than halfway to meeting this increased commitment, based on the third-quarter surplus outlook. The balanced-budget taxpayer-protection legislation will ensure we remain on track and not repeat the errors of the past.

Our drive for more efficient government is ongoing. We will continue finding efficiencies and new ways of delivering services that provide taxpayers with better value for their money.

Our government is working with public and private sector partners to build the strategic infrastructure that will keep Ontario competitive and enhance our quality of life. This year, SuperBuild's capital investment will total more than \$2 billion. This includes a \$1-billion investment in Ontario's highways, the largest amount in the province's history.

In addition, we have established three new partnership initiatives: SuperBuild millennium partnerships, the Ontario small town and rural development program and the sports, culture and tourism partnerships initiative. Through these partnerships, SuperBuild will invest more than \$1.7 billion in regional and local infrastructure over the next five years.

Our economic and fiscal plan has generated the economic growth and resources that have enabled us to invest in Ontario's priorities at the same time as we were balancing the budget. This investment in turn provides the underpinning for our future quality of life and competitiveness.

Health care remains one of the government's top priorities. We have increased health care operating spending by \$4.9 billion since taking office, despite federal cuts. In addition, we have fast-tracked an investment of \$1 billion through SuperBuild to accelerate hospital restructuring.

Our economic and fiscal plan has worked. It has laid the foundation for a stronger Ontario that can withstand the impacts of any slowdown in the US economy and that will continue moving us forward, building on the gains we have made.

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While we take pride in these achievements, we are conscious that continued sound management of the province's economic and fiscal affairs is essential for us to reach our full economic potential. Jobs and the economy are our number one priorities. We recognize that there is more to do, and by focusing on these key areas, we can create and keep more jobs in Ontario.

The 2001 budget provides us with an opportunity to continue implementing the kinds of economic and fiscal policies that will create more jobs and further increase the standard of living for the people of Ontario. Ontario must not become complacent.

I look forward to hearing from your committee and from the taxpayers of Ontario on measures we can take to continue to build a stronger Ontario with brighter futures for all of us.

**The Chair:** On behalf of the committee, Mr Minister, thank you very much. We have approximately 10 minutes per caucus, and I'll start with the Liberal caucus.

**Mr Phillips:** This will be the first time, I think, that the government will be projecting economic growth above the private sector forecasters, at least the first time I can recall. Is there a reason that you would project economic growth above private sector forecasts, and if you are wrong, what are the implications?

I note, by the way, it was just two months ago that the private sector was saying, I think, 3.7% growth. I gather they are now down, in the space of two months, to 2.8%.

**Hon Mr Flaherty:** As you know, we built in some surplus budgeting in the year 2000 budget. The economic predictions by various forecasters have varied over time. We've included the most recent forecasts to avoid giving an overly optimistic view of the present predictions with respect to growth in the province, but the prediction is for

continued economic growth in Ontario this year, getting better as the year goes forward.

**Mr Phillips:** My question really was, why would you, or why would the government, for the first time predict economic growth above the private sector forecasters?

**Hon Mr Flaherty:** I think at the time of the budget it was not above their predictions at all.

**Mr Phillips:** But I gather from your presentation today you are assuming 3.1% growth.

**Hon Mr Flaherty:** No, the year 2000 budget assumed 3.1% growth.

**Mr Phillips:** What is your advice for us in terms of—I assume today you are predicting 3.1% economic growth for Ontario in the year 2001. Is that what you're saying?

**Hon Mr Flaherty:** What I would say is that the current consensus calls for real GDP growth to slow from 5.5% in 2000 to 2.8% in 2001.

**Mr Phillips:** So you're not predicting 3.1% growth.

**Hon Mr Flaherty:** The current prediction is 2.8%.

**Mr Phillips:** So that's what you're predicting?

**Hon Mr Flaherty:** I'm not in the prediction business. That's what the experts are predicting now. We are of course mindful and vigilant with respect to what is happening in the United States, and we're well positioned in Ontario, through prudent fiscal management over the past five years by Minister Eves, to deal with whatever slowdown there is from the very high levels of economic growth in the United States and Canada over the past five years or so.

**Mr Phillips:** It's strange to me that normally you come to our committee and say, "Here's our prediction for economic growth," and I gather you don't have one right now.

**Hon Mr Flaherty:** I've given you the current prediction.

**Mr Phillips:** The 2.8%? That's what you're building the budget on?

**Hon Mr Flaherty:** Currently.

**Mr Phillips:** The Premier said recently on health spending that he believes the costs on health spending will rise 5% a year for the foreseeable future. In fact, he says the cost increase—the estimate—is modest at 5% and almost certainly an underestimate.

Have you, in your planning, assumed at least a 5% increase in provincial health care funding over the foreseeable future, and if there is an economic slowdown beyond what you predict, can you assure Ontarians that health care will be protected at what I gather the Premier said was at least a 5% increase in spending needed?

**Hon Mr Flaherty:** Our government's record with respect to health care spending, as I'm sure the member knows, is of meeting the needs of Ontarians and increased health care spending year after year as we've moved forward, at the same time moving toward balancing the budget and in fact balancing the budget.

In the 1999 Blueprint, the Premier committed to increase health care funding by 20% over five years, and that would be from \$18.9 billion in 1998-99 to \$22.7 bil-



lion in 2003-04. This funding was guaranteed regardless of federal action.

There are a couple of issues there. One is the reality of the need for increased federal support for health care in the provinces, and the other reality is the need for the continuation of health care reforms by the provinces, including Ontario. We have the report of the provincial and territorial ministers of health in August 2000 dealing with the underfunding by the federal government of Canada's health care system. The report concluded that there is a growing need for health services to be subject to some reform, including primary care reform, which is important in Ontario, as well as health promotion and prevention strategies. So there's much to be done in health care, but our commitment, of course, is to meet the needs of the people of Ontario.

**Mr Phillips:** You see, I thought when the Premier was making his case that he said he believes spending in Ontario is going to go up 5% a year for the foreseeable future. That was his public argument. Are you telling us today that that may not have been what he meant, that in fact when he was saying that he believed costs would go up at least 5% a year and that the province would have to fund at least 5%, that wasn't what he meant, or what is your commitment on the health spending?

**Hon Mr Flaherty:** You know and I know, looking at the health care figures, that in fact the spending is going up much more dramatically than that. The pressures in the health care system are very large. The 5% pressure facing the system relates to an aging population, inflation and other factors. It's not a forecast of future spending but it's an estimate of future health pressures over time, and if we don't proceed expeditiously with the needed reforms, then those pressures will in fact be exceeded. So it's important that in addition to the 20% over five years commitment, we proceed with the reforms in health care and that we also receive an appropriate contribution from the federal level, not only Ontario but the other provinces as well.

**Mr Phillips:** That's very interesting.

On tax policy, you've indicated that Ontario's corporate taxes will be substantially lower than the neighbouring US states, and as I look at the income tax structures that you're proposing, that would be at the US states. Capital gains I think are now at the US states. But in your documents for attracting business to Ontario, Here's Where You Should Be Doing Business, you say, "US manufacturers pay, on average, more than \$3,100 per employee for the kind of health care coverage provided by Canada's publicly supported system, whereas Ontario employers pay about \$540"; in other words, about a \$2,500 difference.

My question is on the tax policy. That difference in funding for health care comes because we've chosen collectively to fund the health care system very differently than the US. We do it mainly through our taxes. If we're going to have corporate taxes substantially lower than neighbouring states, and personal income tax around the neighbouring US states, capital gains taxes at the

neighbouring US states, where do we find the money to fund that unique health care system that, as you point out in your own documents, means that employers in Ontario are paying at least \$2,500 per employee less? Where do we fund that? Where do we find those resources for a very different health care system in Ontario than in Michigan or in Illinois or in New York?

**Hon Mr Flaherty:** That's a good question. We have to obviously keep on track with making sure our tax rates are competitive and low, with continuing to reduce taxes in Ontario. We've proven, contrary to what many said at the time, in the mid-1990s, that by reducing taxes we can create more revenue, more stimuli in the economy, and that increases government revenues. That has worked. The clear evidence of that is the fact that Minister Eves was able to bring in balanced budgets despite the tax cuts, and at the same time substantially increase health care spending in Ontario despite the fact that the federal government was reducing health care spending. Not only can it be done; it has been done in Ontario.

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**Mr Phillips:** I would like you to maybe prepare a little document for this committee, then, because there is no magic in this. We've chosen to fund health care in a very different way than Michigan and Illinois and whatnot. In this same document you point out that the auto sector saves \$400 million a year on health costs, because of the uniqueness. There is no magic, but I would like you to demonstrate to us—lower tax rates, a higher unemployment level, lower per capita income—where is that money going to come from? This is not voodoo economics. You should be able to show us, "Here is where I'm going to fund health care," and prove to us that you can have corporate income tax rates which I gather from your documents are going to be substantially lower, personal income tax at the US, capital gains at the US. Where does this revenue come from?

**Hon Mr Flaherty:** As Mr Martin, your federal finance minister, a member of your political party, says, this is the stimulus for our economy. This is what creates jobs and investment. It has taken him and the Prime Minister a long time to climb on board, but the reality is that it does work. Ontario has shown the way and the federal government is now following along. We wish they would accelerate their program because then we would have more revenue for health care in Ontario.

**Mr Phillips:** Can I just request that the staff give us documentation on the revenue that will flow from these tax policies and how we fund our health care, because that's pretty fundamental, I think, to the minister's presentation. If we could get that from the minister's staff, I would appreciate it.

**Hon Mr Flaherty:** What you're asking for is what I have just provided you with. It is the reality that our tax policies have resulted in increased revenues for the province, and you know that more than 40% of the operating program is going to health care.

**Mr Phillips:** Actually, you haven't provided me with that. I wouldn't mind it.



**The Chair:** Thank you. Mr Christopherson.

**Mr David Christopherson (Hamilton West):** Let me also congratulate you, Minister, on your appointment.

I was just thinking, because some of the faces here of course I am familiar with, having spent two years in the Ministry of Finance as the parliamentary assistant prior to appointment myself, and it occurred to me that there's a good chance that about a year or so from now I could see you and former Minister Laughren having dinner one night and both of you agreeing, "Timing really is everything in politics"—

**Hon Mr Flaherty:** Or height.

**Mr Christopherson:** —because I think there is a similarity between the situation you've inherited and the one that he inherited back in 1990.

**Hon Mr Flaherty:** I'm taller than Floyd.

**Mr Christopherson:** Let me point out to you, Minister, that while what you've outlined here today may play well at the corporate board table, it doesn't play so well at the kitchen table. The fact of the matter is that we told you all along that the reason you were able to cut taxes and still see growth was the fact that the American economy was leading the way, and you denied it, and you deny it again today. In your report, you take all the credit for everything that's happened, and yet the first downturn in the US economy in the last few years, and to date we've been able to count over 15,000 layoffs, either temporary or full-time, and rising.

My first question to you would be, how can you on the one hand say that everything that has happened in Ontario is because of what you've done, not in the US, when we said the opposite, and yet the first time there is a downturn in the US economy, we're seeing tens of thousands of jobs being lost through layoffs? How do you square that circle?

**Hon Mr Flaherty:** A couple of things. First of all, we have continuing economic growth in Ontario, and that's important. We also have continuing job growth in Ontario. The figures for January were, I think, net 16,000 new jobs in Ontario.

But dealing with your point about the role of the domestic economy, as I said in my remarks earlier, since our government came to office in 1995, about 80% of our economic growth has been due to domestic spending by businesses and consumers. We also hear the comment fairly often about the auto sector and dependency on the auto sector. I mentioned also in my remarks, and it's really something I hope people in Ontario would recognize, the growth of the high-tech sector. Certainly our colleagues from the Ottawa area—I guess there aren't any on this panel—know this very well. For example, in the year 2000, auto production grew only 2.9% in Ontario. High-tech output in Ontario in 2000 grew 24%. We have remarkable growth in that sector within our own province.

**Mr Christopherson:** Let me just say to you, Minister, that I suspect that if things continue the way they are, much like your ministry had to do an overnight re-evaluation of what it was projecting, you're going to be

continually re-evaluating where you are going and trying to explain why we're losing so many jobs. Your argument that there's enough domestic demand to offset the downturn in the US is just not going to hold, in our opinion.

But I also want to draw attention to what you said on page 8. You said, "In the global marketplace, Canada cannot afford to be known as the jurisdiction with the highest" taxes. Yet what we're becoming known for is Walkerton. What we're becoming known for is a massive and serious deterioration in our education system, in our health care system. No longer do we have any kind of social housing policy whatsoever. Some of our municipalities are on the brink of facing bankruptcy; at the very least, looking at massive increases in property taxes to offset the cuts you've made in transfer payments in order to be able to sit here today and talk about all the great tax cuts that you've made.

The fact of the matter is that the United Nations has chosen Canada as the best place in the world to live not because we give the richest people in our country the biggest tax breaks. It's infuriating to have you come in here and say to us that everything is wonderful because the rich are getting richer.

I'm one who doesn't like to play to sort of the extremes, but that's the reality. We were known as the greatest place in the world to live because of our progressive education system and all those who had access to it, and certainly for our health care system, and certainly for our environmental protection, which you've watered down and chopped. In fact, in the last budget you're so proud of, you chopped more money from the Ministry of Natural Resources and from the Ministry of the Environment on the heels of what happened in Walkerton.

So for you to suggest that we need to worry about what our reputation is about tax rates doesn't fly very well with those 15,000 people who are out of work. Those 15,000 people, and there are going to be thousands more—you would know that only one third of Canadians are now covered by employment insurance. You've ratcheted down eligibility to welfare to the point where a lot of people right now, when they receive a pink slip, are not qualifying for EI, not qualifying for welfare, because both the federal government and you have changed the rules because you didn't want to put out so much money, because you needed the fiscal room in order to give the tax cut. They've got to wonder where they're going to be and where their family's going to be in a few years.

Let me ask you, Minister: if you were in that situation and you're one of the majority that doesn't qualify for employment insurance, and you don't qualify for social assistance, how do you put food on the table? What good is a tax cut to you at that point?

**Hon Mr Flaherty:** The tax cuts have resulted in more than half a million people leaving welfare and obtaining jobs in the province of Ontario. I'm very proud of that. Our government is very proud of that. What better route

from poverty is there than having a job and having a future and being able to support one's family?

I can tell you, my constituents—and I hear this around the province—want tax cuts. They realize that they are very heavily taxed. At the same time, they want the government to meet the education and health care needs that they have. Indeed, if you look at the spending figures for the province of Ontario, Minister Eves and the Premier were able to accomplish that over the course of the past five years; that is, tax cuts increased government revenues to the point where the government not only was able to increase spending on health, not only was able to increase spending on education but also was able to balance the budget. That's good, sound fiscal and economic management. We're going to continue that kind of management in Ontario.

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**Mr Christopherson:** You didn't answer the question. You didn't answer the question of what happens to that family facing a Mike Harris future when they've been given a pink slip. You don't want to talk about the fact that even with the tighter qualifications for welfare, StatsCan is showing us that in January, 4,500 more people were on welfare than there were before. StatsCan is also showing us that for the first time, part-time job growth is overtaking full-time job growth. All these things are happening at exactly the same time the US economy is slowing down. Minister, it's not a coincidence. You cannot sit there and say that tax cuts create jobs and then have massive tax cuts, and then, when the US economy goes into the tank, we suddenly have thousands and thousands of layoffs and our welfare rates are going up, and then talk about how tax cuts are going to continue to pull us out of this. It doesn't wash.

You were so fortunate. That's why I opened up with the quip that timing is everything in politics. When you assume office with a roaring US economy, you're bound to see a bounce here in Ontario. We warned you about that and you refused to acknowledge that that had anything to do with it, and you did it here again today. Now, on the brink of what might or might not be a US recession—we don't know, no one knows where it's going to end up, but certainly the projections coming from most economists are getting close to, if not lower than, half of what they were less than two months ago.

In my opinion, you should have been rolling in here and raising the alarm. You should have been announcing to us that you're going to stop all the planned tax cuts and that you're going to make the reinvestments in the things that make a difference in Ontario. Never mind this nonsense about whether or not we've got the reputation as being the highest-taxed. Do you know what it's going to feel like for somebody sitting at home who got a pink slip from General Motors a few weeks ago to hear you brag about the fact that people receiving capital gains only have to pay half the tax they used to pay, and that person sitting at their kitchen table doesn't even know how they're going to pay the rent next month? Do you know how that makes them feel? When I ask you the

pointed questions, you go off in some other direction. You don't want to deal with the real issues here.

What are our municipalities supposed to do? You haven't talked about that at all. We've got Toronto in crisis. Certainly in my hometown of Hamilton we're in crisis in terms of trying to deal with the cuts. What are those municipalities supposed to do? Are they supposed to cut services further? Are they supposed to raise property taxes to cover off the services you're not providing? What are our municipalities supposed to do?

**Hon Mr Flaherty:** Certainly many of them have applied for the SuperBuild OSTAR program—those applications have been flooding in—to deal with infrastructure needs in the municipalities. It's a very important program in Ontario, and I'm sure you're familiar with it. We're not going to do what your government did. We're not going to raise taxes. We're not going to have record unemployment numbers, as your government did, driving our province into that horrible recession in the early 1990s. If that's what you're suggesting we ought to do, we're not going there. It's bad fiscal management. Your government proved it's bad fiscal management. We're raising the standard of living, the quality of life, of all people in Ontario and we intend to continue to do that by the sound fiscal management we've had in the past.

At the same time, I note the increase in welfare rates. We must be vigilant about that, particularly during the winter months. There's some fluctuation there. We must watch that, and watch it in comparison with the employment numbers, the 16,000 new jobs last month in Ontario.

I agree with the member if what you're conveying to me is that we must be vigilant with respect to developments in the economy. Indeed we are. We're watching very closely.

**The Chair:** Thank you very much, Mr Christopherson. The government side.

**Mrs Tina R. Molinari (Thornhill):** I will begin and then I will leave some time for my colleagues because I know they would like to have some questions and comments.

First of all, Minister, I want to congratulate you on your appointment. It's certainly entering interesting and exciting times ahead, as the finance committee is going to be working with you closely to see that we implement some of the needs for the Ontario people and what's best for Ontario.

I also want to commend you on your presentation on this first day of pre-budget hearings. It certainly sets the stage for the hearings we'll be engaging in in the next two weeks. It's clearly evident that past policies of tax cuts and job creation have put us in a position now where we can withstand the slowdown of the US economy. You've certainly made that clear in several of the comments in your presentation.

Just before I ask the question, I want to make a comment on Mr Christopherson's comments that this plays well at the corporate table and not at kitchen tables. I've sat around many kitchen tables and during the time when



the \$200 rebate came back, many people told me of different things they were able to do with that rebate. Some bought new shoes for their kids, some bought their groceries and others donated the money to their favourite charities. So I think that also around kitchen tables the tax cuts are doing well for all of the people in the province of Ontario and it's not just for those whom the opposition would think it benefits.

Minister, I want to talk a bit about the made-in-Ontario income tax system. There are a lot of benefits to that for all Ontarians because it will cater to the specific need of those in the province of Ontario. My constituents have often asked how this system will work and how it will benefit the taxpayers. Some are concerned about whether it would be more burdensome or expensive to the taxpayer. Can you share with us what the greatest benefits of this system would be?

**Hon Mr Flaherty:** I think some of the members will recall this: the difficulty we had reducing taxes in Ontario was our being hooked in with the federal system. We are able now with the made-in-Ontario policy to clearly define the Ontario tax cuts, and the federal government can similarly, as they reduce taxes—and we hope they'll continue to do that—clearly identify their tax cuts. It will mean a few extra lines, a few extra entries for people completing their income tax forms, but it won't mean a separate income tax form. It won't be more complicated for people to prepare and file their income taxes in the province of Ontario. It also permits us to deal with provincial tax credits from Ontario separately and directly and clearly so that there will be transparency for people. They'll be able to see which level of government is reducing taxes or not.

**Mr John O'Toole (Durham):** Again, Minister, I would like to convey my congratulations, not just from the people of Durham but all of Ontario really, universally actually. I do reiterate Mrs Molinari's comments, but not just the comments made specific to the kitchen table or the board table.

On page 8 you mentioned, I think, the most important message of the domestic economy and the tax cut, whether it's the direct cheque to the taxpayer or it's the relief. I wonder if you could just speak to the question. I have five children, and you know that I really speak quite genuinely from that perspective. You use it in your example here: a family of two, an income of \$60,000 from two earners, will save \$1,865—almost \$2,000 a year in personal income tax. That's a 40% change. I just want you to address that, that the federal government could match. That's the challenge you've put out. The federal government could match that kind of tax change.

Clearly, that's what you're counting on, I think, the domestic economy being responsive to the tax cuts that we've generated over the past five years and going forward. Is that a fair assessment on my part?

**Hon Mr Flaherty:** Yes, I think that's a fair assessment. You hear from time to time the comment that the tax cuts are not a lot of money. Where you live and I live—in Durham region I imagine it's the same in your

riding as it is in mine—I hear repeatedly from people, “Boy, an extra \$1,000, an extra \$1,800 after taxes in my pocket that I can use for my family, for hockey equipment and all the other demands that are on parents these days raising children, is really appreciated.” In most families today both mom and dad are working outside of the home. That's probably one of the largest social changes we've seen in the last generation in Canada. Taxes are high still, despite the fact that we've been reducing them in Ontario and the federal government's finally climbing on board. I think we have to do more to let the hard-working people of Ontario, the mothers and fathers, keep more of their money so they can use it for themselves and their families, and that's what we're trying to do.

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**Mr O'Toole:** Mr Galt has a question.

**The Chair:** A quick one, Mr Galt.

**Mr Doug Galt (Northumberland):** Thank you very much, and again, congratulations to you in your appointment. It's also really great to hear in your speech that you're on the same and the right track, coming from the Common Sense Revolution and from the Blueprint that the Premier has laid out for us.

We've often heard the opposition complain that we haven't improved in our provincial debt rating. Now we have from Standard and Poor's and also from Moody's an improvement in our rating. Could you maybe explain to us, give us more detail on what this means? Is that going to mean a better interest rate? Is it going to mean more availability? We have heard the opposition complain in the past, “Oh, with all your moves you haven't improved in the ratings.” Well, lo and behold, we now have improved our rating. What does that mean to the future?

**Dr Bob Christie:** Perhaps I could address that. In this case, since both of the major US rating houses have given indications of a more favourable rating position for the province, the ratings are generally regarded as indications that affect both the cost at which someone borrows and also the access to markets. Some of the major lenders will have limits on how much they can invest at each rating level. Generally a rating improvement like this should have benefits in both the cost and availability of funds. Both of these were done by the major US houses. Lately most of our borrowing has been done in Canada, so the extent to which we would see that in the short term is something that we couldn't really quantify, but we would expect them to be positively received by lenders.

**The Chair:** With that, we're out of time. On behalf of the committee, Mr Minister, thank you very much for your presentation. I think the members weren't too harsh on you this morning.

**Hon Mr Flaherty:** Thanks.

**The Chair:** Our next presenters will be representatives from the Ministry of Finance, so if you could please come forward. Since we're running a bit late, is the Ministry of Finance ready to go?

For the record, could you state your name, please.



**Dr Christie:** My name is Bob Christie. I'm the deputy minister. To my immediate right is Gabriel Sékaly. Gabe is the assistant deputy minister for our fiscal and financial policy division. To Gabe's right is Gadi Mayman from the Ontario Financing Authority. To my left is Phil Howell, who is the assistant deputy minister of the office of economic policy.

**The Chair:** On behalf of the committee, welcome. You have 60 minutes for your presentation this morning.

**Dr Christie:** Thank you, Mr Chair. I am very pleased to have the opportunity to address the committee this morning. I will give you a brief overview of the province's economic and financial position and that will be followed by presentations from several of the assistant deputy ministers on their areas of expertise. Phil will talk about the economic outlook, Gabe will talk about the fiscal situation, including the third-quarter Ontario finances, and Gadi will give you an update on the province's financing plan.

The outlook for the Ontario economy, as was noted, is for a slowing of growth in 2001. No forecasters are expecting a secession of growth. I believe, as the minister noted this morning, the lowest forecast certainly that we have to date is for 2.2% growth. The third-quarter economic accounts that we've released today indicate that our real GDP grew by 1.4% in the third quarter, and for 2000 as a whole, we estimate that the economy grew by 5.5%.

As you know, the US economy's actual growth pace slowed sharply in the second half of last year. From an annualized growth rate of over 5% in the first half of 2000, US real growth slowed to 2.2% in the third quarter and 1.4% in the fourth quarter. As was noted, Ontario's economic growth in recent years has been generated mainly by domestic forces, that is, household spending, business investment etc. This is one of the reasons that forecasters are expecting our economy to remain relatively healthy.

Of course, our Ontario economy is an open economy; it's a trade-oriented economy. The US is our dominant market and exports to the US are critical to our economy. As a result, the slowing in the US, particularly in autos and capital goods, will have an impact here. The outlook down there is for the slowdown to be relatively mild and relatively short. The central banks, particularly the US federal reserve, have moved rapidly to lower interest rates. Tax cuts are helping to sustain consumer spending here, and there are strong prospects that tax cuts will be implemented soon in the US.

As I noted, the private sector forecasts are expecting somewhere between 2.2% and 3.2% real growth for Ontario in 2001. Last year inflation rose to 2.9%, due in large part to rising oil and natural gas prices. For 2001, 2.8% is the upper end of the range, and forecasters generally expect inflation to ease back to about 2.6%. With slower growth, the unemployment rate is expected to edge up from 5.7% to 5.9% in 2001. This, again, is based on what the private sector people are seeing. Job creation they expect to remain positive, but on average

these forecasters expect labour force growth to be slightly faster.

The chart shows how the outlook for the Ontario economy has evolved since the May budget. Last year the economy grew substantially faster than the predictions in the budget. The result was stronger revenue growth, and Gabe will talk about that.

Last year's budget planning number and the consensus for 2001 was 3.1%. At the time, that was relative to the average of private sector forecasters of 3.2%. As we've seen today, the outlook for growth has moderated somewhat, and the average private sector forecast is now 2.8% for 2001 versus 3.1% from last May.

#### 1120

There are significant grounds for optimism that the Ontario economy will emerge from a brief slowdown last year in strong shape. Obviously we intend to maintain a prudent approach to economic and fiscal planning, and we'll monitor the economy closely in preparation for this year's budget.

On the budget plan itself, the balanced budget was achieved one year ahead of schedule. In each of the past five years, deficit reduction targets have been over-achieved, and this year we continue to project a \$1.4-billion surplus based on the third-quarter accounts, which means that Ontario is on track to record its second consecutive surplus—the first back-to-back surplus in more than half a century.

At this point, I'll turn it over to Phil to provide a presentation on the economy.

**Mr Phil Howell:** I'm pleased to have the opportunity to address the standing committee. Today the Ministry of Finance is releasing the third-quarter Ontario economic accounts. The accounts show that Ontario's strong economic growth continued through the summer and into the fall. However, more recently the US economy has slowed, raising concerns about Ontario's growth prospects this year.

Today I would like to provide you with some perspective on this development and provide you with an economic backdrop to assist you in your forthcoming hearings at Queen's Park and around the province.

Ontario entered 2001 on the back of four years of outstanding real gross domestic product growth performance. Over that period, growth has averaged in excess of 5% annually. While the fourth-quarter economic accounts will not be available for some time yet, available data points to continued growth. For example, Ontario employment was up by 64,000 jobs in the quarter, the best performance in two years. Manufacturing shipments were up in both October and November. Ontario department store sales were up 5.3% in the final quarter from a year earlier. The data confirmed that the 2000 economic and fiscal review estimate of 5.5% real gross domestic product growth for 2000 is on track.

Not surprisingly, the strong economic growth has been accompanied by substantial job creation. The past three years have been the best three years of job creation in Ontario's history. The unemployment rate for last year

was 5.7%, the lowest annual rate in well over a decade. Adding to the significance of the total employment gains has been the composition of new jobs compared to earlier in the decade. Almost all the jobs created in recent years have been full-time positions, a development that underpins increased consumer confidence and ability to spend.

Sustained high economic growth rates require strong growth in domestic demand, that is, spending by consumers on goods and housing and by business on machinery, equipment and factories. Of course, trade is also critically important to our economic success. However, as this slide shows, growth in the first three quarters of 2000 has been driven by domestic demand. In fact, net trade, that is, exports minus imports, has subtracted from growth over this period. Slower US demand for our exports was offset by continued strong spending in Ontario on imported consumer and investment goods. In fact, this trend has been evident in recent years. Over the 1997-2000 period of exceptionally strong growth, domestic demand has accounted for almost 93% of growth. This contrasts sharply with the previous four years, when the major source of growth was net trade. Clearly, Ontario's vulnerability to developments in the US economy was much greater in the earlier period.

The next slide helps explain the remarkable turnaround. In the 1993-96 period, real consumer spending, which accounts for about 55% of total spending activity in the Ontario economy, was constrained by falling per capita real disposable income. This was the legacy of increasing personal income taxes alongside very sluggish employment growth. In the more recent period, tax cuts have stimulated growth in consumers' real disposable income, which has translated into a significantly higher consumption growth rate.

Looking forward, the rising trend for real disposable income will continue. The forecast includes the impact of federal tax cuts in 2001 as well as the cumulative impact of Ontario's tax moves. Increasing real disposable income is an important buffer against the impact of the slowing US economy in Ontario.

The third-quarter economic accounts also underscore the diversification of the Ontario economy. Over the first three quarters, growth was spread across several major sectors. Note that the auto sector has not been growing that quickly, reflecting the fact that the industry was operating at record capacity and production levels. Production in the auto sector will decline in the first half of this year as companies move to rebalance inventories in the face of lower North American demand for new cars. One of the reasons our budget and fall statement growth forecasts were significantly lower than for 2000 was our belief that auto production and sales would temporarily decline from the record levels of recent years. Of note, however, is the strength in other sectors, particularly the high-tech sector.

Growth in the high-tech sector, which includes computer manufacturing, telecommunication and electronic manufacturing, computer services and telecommuni-

cations carriers, has picked up noticeably in recent years. Although the sector still accounts for a relatively small share of Ontario's GDP—7.2% over the first three quarters of 2000—it has grown from a 4.4% share as recently as 1996. Over the past four years, growth in the high-tech sector has averaged 19.2% annually, against an economy-wide average annual growth of 5.3%. This sector will play an increasingly important role in Ontario's economy in coming years.

As the deputy noted in his earlier remarks, growth in the US slowed sharply in the second half of 2000 and, as also already noted, there will be an impact on Canada and Ontario. The extent of that impact will be influenced by the depth and duration of the US slowdown. As the slide indicates, most private sector forecasters expect the US economy to pick up steam as 2001 unfolds. A similar bounce-back is expected in Canada. Prompt action to reduce interest rates by the US Federal Reserve underpins forecaster expectations that the recent very slow growth will be temporary.

Declining North American auto production in the face of the much slower US demand has been a major contributor to slower US growth. Canadian production, depicted on the slide, is expected to slow from the very high record levels of production in 1999-2000. As noted earlier, reduced production volumes in Ontario in 2001 are a significant factor in the slower growth forecast. However, while moving Ontario GDP growth to a lower rate than the experience of recent years, the slowdown in auto production and related manufacturing industries does not appear sufficient to derail Ontario's economy.

In the next few slides, I will look at a number of factors which will contain the negative impact of the US slowdown on Canada and Ontario. In particular, I will draw attention to the differences with the situation that prevailed during the early 1990s.

### 1130

Ontario's manufacturers continue to be much more competitive, relative to their American counterparts, than was the case in the early 1990s. With the Canadian dollar trading in the 65- to 67-cent range against the American currency, Ontario producers are well positioned to take advantage of the pickup in US growth expected later this year. Ontario's cost advantage also keeps Ontario an attractive location for investment by companies interested in the North American market.

Another important consideration in assessing the current North American economic situation is the fiscal position of governments. Unlike the first half of the 1990s, governments on both sides of the border are in strikingly improved fiscal positions. This has enabled governments to lower taxes and provide stimulus to both consumer and business spending.

The capacity of consumers in both Canada and Ontario to take advantage of the fiscal stimulus is also greater today than was the case earlier in the 1990s. Rising personal disposable incomes triggered by personal tax cuts, combined with lower interest rates, have increased the ability of Canadian consumers to service



their debt. The slide shows the downward trend in household debt servicing costs over the past decade.

Businesses too have improved their balance sheets over the 1990s. Corporate debt-to-equity ratios have declined significantly as illustrated in the slide. Reduced reliance on debt increases companies' flexibility to manage cyclical fluctuations in demand for their products.

Perhaps the most significant difference in today's economic environment compared to 10 years ago is the inflationary situation. In Ontario, Canada and the United States, inflation rates are not only less than half what they were in 1990, but the levels are also very low. While energy price increases pushed up inflation rates last year in all three jurisdictions, forecasters predict inflationary pressures from that quarter have peaked. As well, the slowdown in the US economy has reduced the inflationary risk facing the US when it was operating at full capacity in 1999 and early 2000.

The benign inflation outlook makes it much easier for monetary authorities in both Canada and the US to respond to cyclically slower growth. The decisive 100-basis-point reduction in the funds rate by the US Federal Reserve in January and a smaller move by the Bank of Canada to cut the bank rate are reflected in the decline in interest rates shown in the slide.

Consumer confidence remains near peak levels. The January increase in Ontario employment and the increase in January housing starts suggest consumer confidence remains reasonably strong. The more volatile business confidence indicator has declined recently, although sharper moves in that indicator are typical, as the chart illustrates. However, the business confidence index is still at a level consistent with expansion.

Ontario real GDP growth will be slower in 2001 than last year. Almost all private sector forecasters of the Ontario economy have recently completed forecasts. The average real growth outlook is 2.8%. This is slightly lower than we anticipated in last year's budget, primarily because of a sharper than expected slowing in the US economy. However, no one is expecting a recession in Ontario and most expect the US slowdown to be short-lived. As I have indicated in my remarks, the economic fundamentals in Ontario are sound. The economy is competitive, inflation is low, real disposable incomes are rising and balance sheets are in good shape. Against this backdrop, Ontario should be able to weather the temporary slowdown in the United States and post another year of real GDP growth in 2001.

**Mr Gabriel Sékaly:** Good morning. It's a pleasure to be here in front of the committee. It's my first appearance. I'm pleased to provide the committee with an update on the province's fiscal situation. As well, we have released today the third-quarter Ontario finances.

The first slide, as mentioned by the minister and the deputy minister, illustrates the government's achievements in terms of a balanced budget one year ahead of schedule. When the government took office in June 1995, the province was spending approximately \$1 million more per hour than it was collecting in revenue. In

November 1995, the government introduced a balanced budget plan with declining annual deficits culminating in a balanced budget in 2000-01. In each of the past five years the deficit reduction targets, as shown in this graph, have been overachieved. With a \$668-million surplus in 1999-2000, the province's budget was balanced one year ahead of schedule. With a 2000-01 surplus projected at \$1.4 billion, based on third-quarter results, Ontario is on track to its second consecutive budget surplus, the first back-to-back surpluses since World War II.

The next slide illustrates our performance in terms of the third quarter. We have improvements in revenue outlook and strong economic performance in 2000-01. The surplus is currently projected at \$1.4 billion. This is up slightly, by about \$45 million, from the second-quarter results. The \$1.4-billion improvement in the 2000-01 surplus is mainly due to increased revenue of \$2.2 billion and the elimination of the \$1-billion reserve and partially offset by a \$1.5-billion increase in expenditure and an additional \$300-million charge for the net impact of electricity restructuring to be recovered from ratepayers, not taxpayers. Revenue increased by \$2.2 billion, mainly due to a \$1.6-billion increase in tax revenue from personal income tax, employer health tax and retail sales tax collections. Total expenditure is up \$1.5 billion, mainly due to two things: (1) accounting changes introduced in the 1999-2000 public accounts, which accounted for more than 50% of the in-year change from budget and increased total expenditures by \$746 million in 2000-01; and (2) about a \$700-million net increase for priority investments, including almost half a billion dollars for a comprehensive hospital strategy and emergency health services and \$165 million for provincial financial support for municipal transition costs.

The next slide shows a summary of revenue changes. Total revenue is projected at \$64.218 billion, up \$2.158 billion from the 2000 Ontario budget plan and \$165 million above the second-quarter Ontario finances. Major changes this quarter and since budget include personal income tax revenue up \$150 million this quarter and \$1.35 billion since budget, due to the pace of employment and income growth in the province. Retail sales tax is unchanged this quarter but up \$200 million since the budget, as a result of growth in consumer and business spending. Employer health tax is unchanged this quarter but is up about \$60 million since the budget, due to the pace of income and employment growth. Income from government enterprises is unchanged this quarter but up \$175 million since the budget plan, primarily due to the performance of slot machines at racetracks, as reported in the second-quarter Ontario finances. Government of Canada revenue is up \$9 million this quarter and since budget, due to reimbursements under the federal Firearms Act. Other revenue is up \$6 million this quarter, due to policing contracts and increased sales and rentals to reflect the transfer of industrial parks from the Ontario Development Corp to Management Board Secretariat. Since budget, other revenue is up \$364 million, primarily



reflecting the consolidation of the Independent Electricity Market Operator as a government organization.

The next slide shows a summary of the expenditure changes. Net operating expenditures, at \$60.325 billion, are up \$1.34 billion from the budget plan and up \$117 million from the second-quarter Ontario finances. Major changes this quarter include: \$165 million in the Ministry of Municipal Affairs and Housing for transitional funding to Hamilton, Ottawa, Haldimand-Norfolk and greater Sudbury, partially offset from the contingency fund; \$123 million in the Ministry of Community and Social Services to address higher volume and transitional costs in the child welfare services program, fully offset from the contingency fund; a reduction of \$50 million in the Ministry of Energy, Science and Technology due to reprofiling into future years of the funding to establish the Ontario Cancer Research Network; and an increase of \$7 million in the Ministry of the Solicitor General for the chief firearms office for the licensing component of the federal Firearms Act, fully offset by federal transfers; and also an additional \$1 million for OPP municipal policing services contracts for the towns of Arnprior, Renfrew and Kingsville, also offset by revenue.

#### 1140

Other major changes reported since the budget include \$398 million for the Ministry of Health and Long-Term Care for the hospitals comprehensive strategy to support extensive modernization of hospital services, and \$100 million to improve access to emergency health services and to implement the flu vaccination program; \$138 million for the public service pension plan for various benefit improvements and a contribution holiday similar to changes in the OPSEU pension plan; and \$98 million in the Ministry of Education to implement a reduction in average class size in secondary schools to 21 students.

In terms of the accounting changes which were reported in the second quarter, there's an increase of \$238 million for the Ministry of Energy, Science and Technology for the Independent Electricity Market Operator. This increase reflects the operating component for the consolidation of the IMO as a government organization consistent with the treatment in the 1999-2000 public accounts, a \$275-million increase in the Ministry of Finance for a provision for the electricity sector. This additional expenditure is consistent with the principles of electricity restructuring. The amount is equal to the net income of Ontario Power Generation Inc and Hydro One Inc in excess of the province's interest expenditure on its investment in the electricity sector, consistent with the treatment in the 1999-2000 public accounts. There is \$48 million for the Ministry of Tourism for the Metro Toronto Convention Centre as a result of the consolidation of the Metro Toronto Convention Centre as a government organization. This is a change in classification consistent, again, with the treatment in the 1999-2000 public accounts.

The next slide shows a summary of capital expenditure changes. Capital expenditure, at \$2.212 billion, is up \$137 million from the budget plan and up \$3 million

from the second-quarter Ontario finances. Major changes this quarter include an expenditure increase of \$18 million for the Ministry of Northern Development and Mines as a result of the transfer of funds from the Ministry of Transportation for the highway rehabilitation projects in northern Ontario, and a corresponding decrease in the Ministry of Transportation.

Accounting changes from the second quarter include \$140 million under the Ministry of Energy, Science and Technology for the Independent Electricity Market Operator. This is the capital component of the consolidation of IMO as a government organization, again consistent with the treatment in the 1999-2000 public accounts.

SuperBuild capital investment, as I just mentioned, will total more than \$2.2 billion this fiscal year. There are three SuperBuild partnership initiatives that were announced in the 2000 budget. The first is the SuperBuild millennium partnerships, which will invest \$1 billion over five years to support strategic infrastructure projects for Ontario's large urban centres; the sports, culture and tourism partnerships, which will invest \$300 million over five years to rebuild and enhance sports, cultural and tourism facilities across Ontario and expand major cultural and tourist attractions; and the small-town and rural development initiative, which will invest \$460 million over five years to improve the quality of infrastructure in Ontario's agricultural and rural areas and small towns and cities. This includes the \$240 million committed for public health and safety projects in round 1 of OSTAR. The province, as well, will invest \$1 billion in Ontario's highways, the largest amount invested in one fiscal year. In 2000-01, there will be an investment of \$291 million to modernize and support Ontario's hospitals and health care facilities, as well as \$220 million to modernize and expand our jails and court facilities.

The next couple of slides deal with the fiscal impact of Ontario Hydro restructuring. As you all know, on April 1, 1999, the electricity industry in Ontario was restructured. Ontario Hydro was continued as the Ontario Electricity Financial Corp, OEFC, which is responsible for managing and retiring liabilities not transferred to the other successor corporations. The other successor corporations include Ontario Power Generation, Hydro One, the Independent Electricity Market Operator and the Electrical Safety Authority.

The respective business units of Ontario Hydro were transferred to OPG, Hydro One and the IMO in exchange for debt payable to the OEFC of \$17.2 billion. The province then exchanged equity of \$8.885 billion in OPG and Hydro One for debt owing to the OEFC. The province's cost of this investment is approximately \$520 million of interest annually and is reflected as an expenditure in the public accounts.

OPG and Hydro One are consolidated in the public accounts as business enterprises. Income earned from these two entities is included in the provincial surplus and income from investment in government enterprises. However, pursuant to the government's commitment to keep electricity income in the electricity sector, directing

it toward the reduction of electricity sector debt, income earned in Hydro One and OPG in excess of the province's cost of its investment, that is, the \$520 million, is allocated to the OEFC. This is referred to in the accounts as the "provision for electricity sector" and represents expenditure in the public accounts and revenue in the OEFC. As a result, there is no impact on the provincial surplus resulting from these transactions.

The net impact of electricity restructuring to the provincial surplus is reflected through the operating results of OEFC. OEFC is defined as a service organization. As the government has developed a long-term plan to retire the OEFC's obligations wholly through the ratepayer and not the taxpayer, the impact of the OEFC operations is separated from other government activities in the public accounts. A separate one-line disclosure is provided of OEFC's net income, which is included in the provincial surplus. There is also a separate disclosure provided to the opening and closing balances of the OEFC's unfunded liability which is not included in net provincial debt. Once again, these balances are referred to as being recovered from the ratepayer, to recognize the fact that ratepayers and not taxpayers are responsible for the stranded debt of the former Ontario Hydro.

The OEFC's obligations will be repaid from the following sources: notes receivable from the province, OPG, Hydro One and the IMO resulting from the restructuring transaction; payments in lieu of corporate income, property and capital taxes made by OPG, Hydro One, municipal electrical utilities and local distribution companies—these revenue streams are dedicated to the OEFC and cannot be available to the taxpayer; a debt retirement charge to be paid by ratepayers based on the consumption of electricity; and the provision for the electricity sector.

The government, in consultation with the Provincial Auditor, hired an independent accounting firm to review the assumptions and the consistency of the OEFC debt recovery plan. Based on the conservative estimates used in the preparation of the plan and the work performed by the accounting firm, the province anticipates that OEFC's obligations will be defeased in the years ranging from 2010 to 2017.

In assessing the impact of restructuring on the province's fiscal outlook in 1999, the credit rating agencies provided further independent support of the OEFC debt recovery plan. The Dominion Bond Rating Service stated, "DBRS believes that the stranded debt of the former Ontario Hydro can be fully retired without access to the Ontario taxpayer and therefore is not including the Ontario Hydro stranded debt in its calculation of tax-supported debt."

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The next slide shows program spending as a share of the economy. The government's commitment to controlling spending is demonstrated by significant reductions in program spending, which excludes capital and public debt interest, as a percentage of GDP. A weak economy and rapidly increasing spending pushed program spend-

ing as a percentage of GDP up to 15.9% in 1992-93. Program spending is projected to decline to 11.9% of GDP in 2000-01 as a result of the focus on funding priority areas such as health care and education, on finding improvements in efficiency of government services and on prudently managing the government's resources.

After rising for many years, net provincial debt as a percentage of provincial GDP has been on a downward trend since 1996-97. Net provincial debt has declined from 32.4% in 1996-97 to an estimated 26.3% in 2000-01. Based on the third-quarter surplus outlook, net provincial debt has been reduced by \$2.7 billion since 1998-99, from \$114.7 billion to \$112 billion in 2000-01. This is more than halfway toward meeting the government's net provincial debt reduction commitment of at least \$5 billion in this mandate.

Now I would like to turn it over to Gadi Mayman.

**Mr Gadi Mayman:** Good morning. As with Gabe, this is my first opportunity to address the committee, so please forgive me if I seem a little nervous. Many of you know my predecessor, Tony Salerno, who retired last summer after 27 years of service with the public service of Ontario. I will try to take his place and hopefully be as informative to the committee as he has been in past years.

I am pleased to provide the committee with an update on the province's borrowing and debt management program. With a surplus of \$1.4 billion forecast for this fiscal year, refinancing maturing debt of just over \$8 billion has been the focus of Ontario's 2000-01 borrowing program. As of the third quarter, total public long-term borrowing is forecast at \$8.6 billion. As of December 31, 2000, the province had completed nearly \$7.5 billion of this \$8.6 billion. Since the end of that quarter, in the first month and a half of 2001, we've issued an additional \$659 million in long-term public financing, which leaves us with about \$400 million to borrow for this fiscal year.

The province's issues continue to be well received by investors despite uncertain sentiment in both domestic and international capital markets. I'd like to describe to the committee how we've approached the financial markets so far this fiscal year.

The OFA takes a flexible and pragmatic approach to borrowing. Flexibility allows the OFA to take advantage of cost-effective financing opportunities, which is particularly important during periods of financial market volatility. A number of factors are taken into consideration. We monitor international and domestic capital markets closely to ensure the optimal timing of the launching of our bond issues. While the Canadian dollar market continues to be the primary source of financing for the province's long-term borrowing, we will borrow in any major capital market where it is cost-effective for the province to do so. We aim for a smooth debt maturity profile to diversify the interest rate risk for the refinancing of maturing debt and floating rate debt. We also structure our debt products to meet the needs of investors and to meet our borrowing requirements in a very cost-effective manner.



The Canadian market continues to be the most favourable source of funding for the province. As of today, almost 90% of our public borrowing this year was raised in the Canadian dollar market.

This slide will show you the breakdown of where we borrowed the money. As you can see, \$7.1 billion has been borrowed in the Canadian domestic market—\$3.4 billion from Ontario savings bonds and \$3.8 billion from a variety of different Canadian dollar issues. We've also borrowed \$611 million from the Canada pension plan. This is refinancing of debt that had matured. And we've had two foreign issues: \$621 million, Canadian equivalent in US dollars, and \$352 million in Japanese yen. Both of those opportunities were cost-effective relative to Canadian dollar cost.

In addition to the borrowing and redemptions shown in the table, the province has bought back \$844 million of previously issued debt this year, financing the purchases with debt of similar term at more favourable rates.

The OFA's mandate is to manage the province's debt and liquid reserves prudently and cost-effectively. We prepare annual financing and debt-management plans. Key factors that are taken into consideration include economic assumptions, interest rate forecasts, foreign exchange forecasts, target ranges for floating interest rate and foreign exchange exposures and contingency plans for forecast errors. We strive to be at the forefront of debt portfolio performance measurement. The cost-effectiveness of borrowing, debt management and investment activities are measured daily against benchmarks approved by the OFA's board of directors. This ensures management is aware of financial market volatility and obtains the necessary background intelligence to take immediate action. As you can see from the slide, we are well within our exposure limits for both foreign exchange and interest rate exposure.

As you know, the government's goal is to more than double its promised \$2-billion reduction in net provincial debt to at least \$5 billion during its current mandate. With the commitment to balanced budgets and debt reduction, the OFA will be funding primarily for refinancing maturing debt.

Rating agencies have recently recognized Ontario's fiscal and economic developments and achievements. Just last week, on February 9, Moody's changed the outlook of Ontario's AA3 rating to positive. This is the first positive rating development for the province by Moody's since 1974. On January 29, S&P upgraded the province's long-term debt rating to AA from AA-. This is the first upgrade for the province by S&P in 13 years and marks the first time since 1993 that Ontario has been rated AA. S&P now ranks Ontario as the second-highest-rated province in Canada after Alberta.

These upgrades come on the heels of a number of recent positive rating developments for the province. Following their analysis of the 2000 spring budget, both S&P and the Dominion Bond Rating Service put their respective ratings for the province on positive outlook. This was also the second consecutive rating improvement

by DBRS following their 1999 upgrade of Ontario to AA(low).

Ontario's current ratings are as follows: with S&P we are AA, with Moody's we are AA3 with a positive outlook and with the Dominion Bond Rating Service we are AA(low) with a positive outlook.

Thank you very much.

**The Chair:** That completes your presentation? Thank you. That gives us 20 minutes per caucus.

**Mr Christopherson:** Bob, congratulations on your promotion too. I wish you well.

Just a few questions, actually. It was originally our understanding that the edict came down from the previous minister that there were going to be more cuts to line ministries, with the exception of health and education. Is that alert still out there, and at this point what is the figure that has been given to the ministries?

**Dr Christie:** I'm not sure of the specific reference, Mr Christopherson, but I'm sure many of you are aware that the ministries are now in the process of going through the business planning exercise in terms of looking at requirements and having them reviewed in terms of what is feasible this year. I think the government has always been very clear that they would look at everything that's being done in order to try and find better ways of spending and to try and find efficiencies. That process is continuing and it has continued through the business planning side.

**Mr Christopherson:** I just want to press that a little further, Bob. I was looking for three things: one was, has there been a direction to ministries to cut their planned budgets; second, how much; and third, are health and education still excluded from that?

**Dr Christie:** I'm not aware of any such message. All ministries have been asked to be careful, to be prudent, to be vigilant in what they're doing in terms of business planning, but there have not been, to my knowledge at least, specific numbers attached to any of that.

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**Mr Christopherson:** Do I take it from that, then, that we won't see any in-year cuts to line ministries?

**Dr Christie:** I can't give you an undertaking with respect to the future, but at the moment, as I say, we're going through the process of planning for the next fiscal year.

**Mr Christopherson:** Just another question, unrelated to that. The \$200 tax rebate, the public bribe that was offered up, do you have a total cost on that yet, on what that was in total for the number of the cheques, the mailing, everything, all of it, the entire cost of that process?

**Dr Christie:** I believe that was projected in the budget at \$1 billion.

**Mr Christopherson:** That was the projection. I was just wondering if the actuals are in.

**Dr Christie:** No, we don't have that. We should have an interim on that by the time of the budget.

**Mr Christopherson:** But you don't have anything yet.



The savings rate—I raised this at the last go-round and we were at historically low levels of savings rates in Ontario. Is that continuing? I had to leave the room for a few moments so I apologize if that was presented earlier.

**Dr Christie:** I'll give that to our chief economist.

**Mr Howell:** In the accounts that were released today, the third-quarter personal savings rate is at 5.1%—still positive, certainly far higher than personal savings rates in the US. That has been tracking in the 5% to 7% range for the last couple of years.

**Mr Christopherson:** Sorry, what page is that on?

**Mr Howell:** The economic accounts were released today. I'm not sure if they've been distributed yet to the committee. They should be on page 24.

**Mr Christopherson:** That's a dramatic decline.

**Mr Howell:** It's a lower savings rate, yes. Consumption has been quite strong in Ontario in the past year.

**Mr Christopherson:** The reason I raise it, and I raised it again last time around: if we just take a look, in the first quarter we were at 6% and now we're down to 5.1%. What this tells us is that at a time when we're seeing thousands of pink slips being handed out, there are a lot of families that are in no position to be able to withstand a loss of income, in part because of the personal debt load they're carrying. Is this not a concern for folks at the ministry? Are you raising this as a concern internally and externally, saying, "Hey, folks, we could see a whole lot of folks hitting the financial concrete if the bottom falls out"?

**Mr Howell:** First of all, the savings rate is an aggregate number for the economy as a whole, so it's not obviously applicable to every individual's circumstance and I don't think it can really be used in that fashion. Of course we're always monitoring what's happening to consumers' abilities to finance their debt. We'd be very worried if we were in a situation now where debt servicing costs were rising toward previous peak levels, but they're not. They're significantly below that. Furthermore, with tax cuts that have kicked in as of January 1 at the federal level, disposable incomes will be going up, giving a further cushion to individuals as we move forward.

**Mr Christopherson:** I appreciate that it's an aggregate, but those aggregates are made up of individual numbers, those numbers happen to be families, and it's just a growing concern that that number continues to get smaller and smaller, putting people closer and closer to the edge. Everything is fine as long as you're still working, if you're one of those lucky enough to make decent wages and don't have to rely on a Tory minimum wage. If you're making a decent wage you can keep things going, but the second that falls out from under you, there's a real concern. I see the Tories laughing; I don't know why they think it's funny when I'm talking about thousands of people who have been laid off in your government in Ontario and face this reality.

I want to ask you about the tax cuts. Can you give me the figure for this year in terms of the full cost of the tax

cuts announced in the last budget? And what are the ones that are projected and how much are they going to cost us? Because this is revenue money we've lost.

**Dr Christie:** I'm looking at the 2000 budget in terms of addressing this, page 115 of the budget papers, which indicates \$1.8 billion in the fiscal year 2000-01 and a full-year benefit to taxpayers of \$5.2 billion, although I would note that that full-year benefit is a mixture of some one-time moves, like the rebate, which obviously don't recur every year.

**Mr Christopherson:** So the \$5.2 billion would be fiscal 2001-02. What is it with—

**Dr Christie:** Excuse me, a number of the tax changes in the 2000 budget were to be fully implemented over a number of years.

**Mr Christopherson:** Oh, I see.

**Dr Christie:** So the full-year number is what it would be if each and every move were fully implemented.

**Mr Christopherson:** What year are you using as your final year, then?

**Dr Christie:** It depends, because there's no uniform year for ending, so it will vary. It's different years.

**Mr Christopherson:** I see. But you are using a figure of \$5.2 billion even though there are some one-offs in there.

**Dr Christie:** That's what the budget papers showed last year as the full-year benefit of those.

**Mr Christopherson:** Bearing in mind that the government's decided that it's OK to give away \$5.2 billion, if we continue down this road of layoffs, where is that first going to show itself in the finances of the province?

**Dr Christie:** We're not seeing signs of such things yet, and we monitor all of our tax sources on a regular basis. I'll have Phil correct me if I'm wrong here, but to date what we're seeing through the monthly revenue flows has been pretty much as expected. If there were to be some deviation from expectation, how it would manifest itself would be essentially dependent on what the composition of the change was.

**Mr Christopherson:** I guess that's exactly where I was going. I appreciate your saying that so far things are as expected, but then "as expected" as short a time ago as last December, I think December 4, was a 5.5% increase in growth, and already now, less than three months later, we're into 3.3%, with Scotiabank at about 2.8%. So we've already seen some reduction in the projected growth numbers. Just in that alone, where is that going to show itself in terms of loss of revenue? Is it going to be through the sales tax primarily? Will it be through income tax primarily?

**Dr Christie:** I think those numbers actually are for different years. I believe the 5.5% is for 2000 and the 2.8% to 3% is for 2001. So they are for different years; the forecast has not changed from 5.5%. The forecasts are for continued growth, so what our expectation would be in that case is that—again, depending on the composition of the slower growth, which sectors are growing more slowly than others etc, that would depend on—that would affect which revenue sources we would see not

growing as rapidly as they had perhaps in previous years. But, as was indicated, all the forecasts that we're looking at, all the forecasts that the private sector people are sharing with us, are calling for continued growth. I think we would anticipate that continued growth in the economy will translate into continued growth.

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**Mr Christopherson:** Is that assurance of continued growth predicated on the American economy staying about where it is, or are you factoring in a worst-case scenario or a rosy scenario, that things are suddenly going to turn around? That seems to be the trigger here. The US economy is in large part going to decide this for us, so what are you basing that on in terms of your projections for the US economy?

**Dr Christie:** Again, one of the reasons the private sector forecasts I was referring to have been reduced, that this consensus, this average of the forecasts has been reduced by several tenths of a per cent over the last couple of months has been that forecasters in the US have been looking for a slower first quarter, first half in the States, and that has been reflected up here in reductions to the forecasted growth.

**Mr Christopherson:** But my sense is that they are continuing to re-evaluate their numbers as things go along. We certainly hear a lot of published accounts of economists who are saying, "I expected it to slow down. I didn't expect it to immediately halt or to go in the ditch." I'm just trying to get a sense of how much of what you've projected is no longer really what's happening, and by "you" I mean the private sector too; I'm not saying your department specifically. But how much of what you're telling us today is predicated on the original idea of a bit of a slowdown in the US versus the dramatic grinding that we are seeing and that is causing the American economists to continually re-evaluate their numbers? I'm trying to get a sense of that shifting sand underneath us.

**Dr Christie:** I'll ask Phil to comment in more detail on this, but as I think was noted a little earlier in some of Phil's comments, we do see a different situation here in Canada. I think Mr Martin was talking to some people in New York several weeks ago, and he spent some time talking about how different the situation in Canada is today than it was several years ago in terms of our ability to respond to a slowdown in the US in terms of the level of the dollar, the level of interest rates, the level of inflation, the level of government debt and deficits, all of which are fundamentally different today than they were 10 years ago. For that reason, I think in looking at the US slowdown, it doesn't translate dollar for dollar into Canada for these forecasters.

I'll ask Phil to answer your question.

**Mr Howell:** With respect to the forecasts, the 2.8% is very up-to-date. In fact, that average does include forecasts that may not even be publicly released; they may be coming out this week from the TD Bank and Scotiabank. As you indicate, both their chief economists have indicated in published remarks last week that they are

lowering their forecasts. That's already included in this 2.8%.

In terms of where the economy is headed, the general expectation is that the speed with which central banks have reacted to the slowdown, particularly in the States, will provide the stimulus for a significant bounce back in the second half. We showed that slide earlier, and obviously we'll benefit. For the reasons Bob was mentioning and that were mentioned in earlier remarks, Canada and Ontario are in a pretty good position to bridge that period without too much damage from the slowdown in the States. I would never base any outlook on one day's or one month's data, but the US retail sales numbers for January were released this morning and they were stronger than had been anticipated. Perhaps most significant is excluding auto sales—everyone has been focused on autos and expecting that autos would hold down the total number, but excluding auto sales, US retail sales in January were twice as strong as the consensus forecast.

**Mr Christopherson:** But auto sales is the key one for us in large part.

**Mr Howell:** Yes, and for the month auto sales were up as well.

**The Chair:** Mr Christopherson, we're out of time. It's government time.

**Mr O'Toole:** I know there are other members of the committee who will be making comments. First, I just want to reiterate that our finances and the reports have been generally optimistic. I know the minister plays an important role, but more importantly, the staff plays an important role, so publicly on the record, thank you for that and for your patience with we who don't work with the numbers every single day as you do.

I want to make a couple of comments and you can, in your general summation or response, react accordingly. None of this, of course, is scripted, as some might suspect—

**Mr Christopherson:** As he looks at his notes.

**Mr O'Toole:** They're my own notes, Mr Christopherson. I would say the one thing that does concern me is the whole OEFC, the refinancing of that and how the debt is carried. I'd be interested in your response with respect to what our auditor, Mr Peters, would think of how that's displayed and carried in the public accounts.

I have a lot of courage, though, in hearing the minister and watching what I see before me. Despite what Mr Christopherson says, the net result has been an improvement in the number of jobs and it's the changing in the sectors. So I want to focus my questions specifically on the remarks the minister made and you can respond accordingly, however that works.

The focus has been to stabilize and minimize the impact as being dependent on exports so the growth in domestic consumer confidence, and you can respond to that in a general sense or a specific sense, but I think I read the same information as you read—and I'm very interested in the financial issues—that the economic forecasts are basically for mild and slower growth in a



short term. I think everything I see in the longer term is forecasted to bump up in the last quarter of 2001. I think it's prudent and I'm confident that domestic sustainability is part of the equation. With that, I would just ask you to respond.

I think the only thing that I see in the general account information that's provided is the decline in personal debt as a percentage of the whole GDP picture. That's an interesting part, too. It shows that there is increased revenue. It shows that personal disposable income is up. So I think I want you to comment on the strength of the domestic economy, Bob.

**Dr Christie:** Thank you for your remarks. With respect to the Ontario Electricity Financial Corp and the way it's shown in the accounts, we have had, through the late summer and early fall, extensive discussions with the Office of the Provincial Auditor on how to deal with this in our books. It is somewhat of an unusual situation. I don't think we've seen quite this kind of restructuring happen in the United States or in other parts of Canada, so the process of working through how to display this in our books versus in the books of the OEFC was one that was not straightforward. We had to work very closely with the Office of the Provincial Auditor.

The display that you see and the way it's set up is as a result of the discussions with Mr Peters. I think it may be that there's a better way to present it and, if so, I'm sure that both we and the auditor would be very interested in finding a better and clearer way of presenting these matters. It's inherently complicated. We have certainly tried—and I know the auditor's office has been tremendously helpful in those attempts—to put it forward as clearly as we could so that people could see how this was working, because it is inherently complicated. We understand that it can sometimes be difficult to see what's happening with all these numbers and where the money is going, but the assistance we got from Mr Peters and his office was terrific and we very much appreciated it. We're working very closely with him on this matter.

With respect to consumer confidence in the domestic economy, Phil, maybe I could ask you to make a few comments on that.

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**Mr Howell:** The issue around consumer debt and ability to service debt I think is very important and reflects that the consumer sector is on the right track to move forward and grow. The reasons why there is increased capacity to service debt by the consumers I think are pretty straightforward. Certainly tax cuts have played a big part in that by increasing disposable income, but there is more to it. We're in an environment now where inflation is low, and expectations are it's going to stay low. That gives people confidence when they're planning, especially big-ticket decisions and financing them.

We're in a situation where employment levels are far higher now. There are far more people working than was the case a few years ago, and prospects are for continued employment growth. In Ontario, while the headlines focused on the flat growth in January in Canada, employ-

ment in Ontario was up 16,000 jobs, and all of those full time; in fact, more than 16,000 full time. There was a decline in some part-time jobs, to get the 16,000 number. Those sorts of conditions all help to build consumer confidence. In fact, one of the charts that I showed did show that consumer confidence is at very high levels and remains there.

**Mr O'Toole:** I'm going to share my remaining time.

**Mr Ted Arnott (Waterloo-Wellington):** Thank you, gentlemen, for helping us with these numbers. I look forward to working with you in the year ahead.

It's long been my view that the provincial government needs to place a greater emphasis on the need to retire its outstanding net provincial debt, and you've indicated that currently our debt stands at \$112 billion, that we have reduced it by, I think you said, \$2.7 billion this year, and certainly the Treasurer's statement backs that up.

When I look at your fiscal summary, the third-quarter slide that you presented here, I see the actual surplus in the last fiscal year, 1999-2000, at \$668 million. This year's projected surplus is \$1.4 billion. I add those two numbers together and that gives me just over \$2 billion, yet you say that the debt has been reduced by \$2.7 billion. Can you help me reconcile these two numbers?

**Mr Sékaly:** Yes. The line which is called the net impact from electricity restructuring doesn't impact on net provincial debt, so you have to take that out of the equation. For example, in 1999-2000, the amount that the net provincial debt went down by was \$1.22 billion, which is the \$668 million, and you have to add back in the—I think it's \$354 million. Similarly, in 2000-01, the projected surplus right now is \$1.411 billion. That includes a \$270-million expense as a result of the electricity impact. You have to take that out of it, so \$1.681 billion is the impact on the net provincial debt, for a total over two years of \$2.703 billion.

**Mr Arnott:** You smiled. Was it a dumb question?

**Mr Sékaly:** No, it was not, not at all. It is a confusing concept as we moved into this as a result of our discussions with the Provincial Auditor, where we've tried, as much as possible, to provide the information and yet make sure the numbers go into the right place. If you look at the financial statements in terms of our presentation, there as well we have broken out net provincial debt from the unfunded liability as a result of the electricity restructuring. So part of the income statement number goes to the net provincial debt and the other part goes to the OEFC unfunded liability.

**Mr Arnott:** When you look at the debt-to-GDP ratio going down to the extent that it has, that's a very positive thing. I think reducing the net debt by \$2.7 billion is a very positive thing as well, but we are committed over the course of this term to reducing our debt by \$5 billion. If you assume that this coming year is going to be a difficult year economically—and I think we would all accept that we're not going to experience 6% growth like we had last year—it is going to be a considerable challenge to meet that commitment of a \$5-billion reduction in debt over the next two years. We're at \$2.7 billion;



we're seeking to meet \$5 billion. Would you agree it's going to be a considerable challenge over the next two years?

**Mr Sékaly:** As we've done over the last number of years, we've always planned prudently and used prudent assumptions in terms of growth, as well as prudently on the expenditure side. We have a \$1-billion reserve built in that we had this year to deal with an unforeseen economic situation. The reserve will be there in the coming years. If the reserve is not needed to deal with an unforeseen economic situation, it is applied directly to reduce the net provincial debt. So we do build in contingencies and reserves to deal with exactly these kinds of situations.

**Mr Arnott:** One last question: the Treasurer's statement indicated that the promise of debt reduction over the medium term was something that Moody's found a very favourable thing in terms of our credit rating. Would you agree that a long-term debt retirement plan or commitment on the part of the government would be something that would impress the rating agencies such that it would have a positive impact on our credit rating and lower interest rates for the provincial government?

**Dr Christie:** Perhaps Gadi, who deals with the rating agencies most frequently, would comment.

**Mr Mayman:** Yes, Mr Arnott. That was actually one of the reasons it's taken as long as it has for both Moody's and S&P to move to upgrade our ratings. While they were pleased with the progress we were making in achieving the targets that were laid out in both the Common Sense Revolution and the Blueprint, they were concerned that the level of debt and the level of debt as a percentage of GDP was still too high. Certainly in the discussions we had with Moody's and S&P in December, before they made their decisions in the past few weeks, that was an item that they did mention, and they are looking for further progress as we move forward.

**The Chair:** Mr Galt, you have approximately five minutes.

**Mr Galt:** Thank you for the presentation. We did hear from the member of the third party, Mr Christopherson, and his gloom and doom about where we're at with pink slips, when in fact, Mr Chair, as has mentioned, we have some 16,000 net new jobs just in the month of January alone, moving our unemployment rate in Ontario from 6% down to 5.7%; compared to drawing in all of Canada, only 700 net new jobs, and the national jobless rate rising from 6.8% to 6.9%. It's important to realize that Ontario is still moving ahead very significantly.

The question I have is to Mr Sékaly. On the chart you provided for us, you're showing down here where, once upon a time, going back to 1995, we thought we would end up. We've had a fair amount of criticism from the opposition about adding to the debt, and, yes, that was planned, but it was much better than we had predicted. Can you tell me how much better off we are with the debt now than what was predicted in 1995, the total better picture for the people of Ontario?

**Mr Sékaly:** In terms of the impact on net provincial debt—actually it's a very interesting question. I hadn't added it up.

**Mr Galt:** I can add up the figures, but I never know in financial terms whether that comes out to what the net savings are.

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**Mr Sékaly:** Yes, the differences in each of those years between the targets and the actuals would be the betterment in terms of our net provincial debt position, because our net provincial debt is basically the accumulated surpluses, deficits over the years so the difference between—

**Mr Galt:** Simplistically, just add up those differences and that's really the right answer.

**Mr Sékaly:** That's correct, yes.

**Mr Galt:** The other quick one that I have is I'm hearing a lot about the short duration of the downturn. We heard this in the fall of 1989 and the spring of 1990, "Don't worry about it. Leave your money invested in the stocks," and all the rest of those good things and then all of a sudden we just plummeted into a disastrous situation. We're hearing the same comments again. Why are we or you people so confident things are going to turn around very quickly in the US and that our downturn will be very minimal? Can you give me a good feeling of confidence about why we're feeling good about the future direction when in 1990 I was hearing the same sort of story; however, it didn't turn out to be the way we wanted it or hoped it would be?

**Mr Sékaly:** I think Phil—

**Dr Christie:** Phil would be good to answer.

**Mr Howell:** I guess the real difference is the big picture, the circumstances that prevail. Back in both the 1981-82 recession and in 1990, inflation was much higher than it is, interest rates were higher and taxes were rising. You had an environment—and this applies as well to the US; it's not only the case compared to here—in which central banks were not really able, because of the inflation outlook, to respond aggressively by lowering interest rates when signs of the slowdown came. I think what's really being missed in all of the headlines and so on—and the stories, you're right, the papers are full of these kinds of stories—has been a cool appraisal of the different circumstances between the two periods.

Similarly, issues like energy price increases: why haven't they had as big an impact this time as they did earlier? Basically because we've had rising personal disposable incomes. The previous energy shocks in the 1970s, 1980s and 1990s, that everybody looked back to in terms of trying to explain what was going to happen when oil prices went up in the past year and a half, were completely different circumstances. In all of those cases disposable incomes were declining for people and obviously, with the added burden of the big energy price hike, that is going to have a significant impact.

The reason that we're—I wouldn't say we're comfortable, because we're never comfortable and we're watching what's going on very carefully and you can always

do better—heartened is by the fact that the external circumstances and conditions are quite different now than was the case in previous downturns.

**Mr Galt:** So a lot—

**The Chair:** I'll let you wrap up. You've got about 30 seconds.

**Mr Galt:** So a lot of the things that you're commenting on are the fiscal policies of the current provincial government versus the provincial government of the day and what they were doing at that time is sort of why the predictors are holding fast to the fact that the outlook looks pretty good for the province of Ontario?

**Mr Howell:** The tax cuts have certainly raised consumers' real disposable incomes and the prospects of further tax cuts kicking in this year from the federal level obviously are helping raise personal disposable incomes and are an important buffer.

**Mr Galt:** Great. Thanks very much.

**The Chair:** Mr Kwinter.

**Mr Monte Kwinter (York Centre):** I'd like to just raise a question about the Ontario Electricity Financial Corp. You claim that the \$520 million in interest that is shown as the province's investment is not being paid by the taxpayer but is going to be paid by the ratepayer. How do you differentiate between the taxpayer and the ratepayer?

**Dr Christie:** The distinction there, Mr Kwinter, is the one actually that has been used for many, many years—even under the old Ontario Hydro—in terms of distinguishing between provincial debt and guaranteed debt, noting that costs associated with electricity are reflected in electricity rates and paid for in proportion to the use of electricity as opposed to through some other form of revenue that has no bearing on one's use of the electricity system. It's that distinction that has been carried over into dealing with the distinction between the so-called stranded Hydro debt, which was being supported by ratepayers, not taxpayers, and the approach has been for that to continue to be the case and that the distinction is carried over from the previous structure.

**Mr Kwinter:** Yes, but in effect when you restructured the electricity sector, if you were to pass on the stranded debt to the entities that took over, it wouldn't have made any sense for them. Someone had to pick up that stranded debt and the province has done it and they're saying we are now going to pass that on to the ratepayers. The point I'm making is it effectively means that consumers, ratepayers, are paying more to look after that stranded debt than they would have to pay if that stranded debt wasn't there and under normal circumstances that would have been looked after by the revenues that Ontario Hydro would have received over the years. But now it's a matter of downloading. You're really taking that stranded debt that no one will pick up, including the province, and saying "You as a ratepayer are going to pay this." As a result, it just exacerbates the problems that we have with the electricity rates.

**Dr Christie:** The debt we're talking about is debt that was in the old Ontario Hydro, and I think a significant

part of the reason for the financial restructuring of Ontario Hydro was that that organization was no longer in a position to be able to service that debt. They didn't have the assets to cover that debt, so that was in part why the restructuring occurred.

Under the old structure, the monies required to service that debt would have had to come from the revenues that Ontario Hydro charged to customers and therefore would have had to be reflected in hydro rates. So, because the stranded debt will be recovered directly or indirectly from ratepayers, there's no change from the situation before restructuring and the situation after restructuring.

**Mr Kwinter:** I just have one other question I'd like to ask. In your Ontario economic accounts, you show various charts, and usually when you take a look at economics you look at the trend lines. I find it rather disturbing to see—for example, change in inventories: inventory levels in the current period that you show, 2000, are the highest they've been since 1992. You've got residential construction equal to what it was in 1992. You've got business plants and equipment expenditures equal to 1992. All of them flatlined since 1992. You've got trade going down and getting very close to where it was in 1992.

Are you expecting in this resurgence of the economy in the last half of 2001 that there's suddenly going to be a spike that changes those trend lines and starts taking it back up again when in fact you know there's a bit of a lag between the time that these numbers are compiled and the actual calculation of what's been happening to the economy? If I could just get your comments on that.

**Dr Christie:** Sure, Phil's comments.

**Mr Howell:** First, Mr Kwinter, which charts are you referring to?

**Mr Kwinter:** Unfortunately, these pages are not numbered, but it's right after the list of tables.

**Mr Howell:** OK. You were asking, are we expecting to see those numbers spike back up? This is a table of growth rates. It's not charting levels; it's charting growth rates. So over the five-year period here, at different points the growth rate is higher or lower than at a given point of time.

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**Mr Kwinter:** Yes, but your zero base is 1992. Is that correct?

**Mr Howell:** No. What we're doing here is deflating the current dollar numbers into a constant base, in this case 1992 dollars, so that we can compare movements in real growth. We're using a 1992 dollar deflator to compare real movements as opposed to nominal movements in the economy. So what these charts show are annual real growth rates—actually they're quarterly real growth rates—in these different indicators.

For example, if you're looking at the consumer spending chart, you can see that as of the third quarter, in 2000 the real growth in consumer spending at an annualized rate was, I think, 4.4%. That means a real increase in consumer spending of that amount in that period.



As to whether we would expect—some of these will move again, as the rebound picks up, and hopefully if it's strong, you'll see stronger consumer spending and stronger investment growth.

**Mr Phillips:** My congratulations too, Mr Christie. I thank your staff and yourself for being helpful to us over the last year; the answers you gave us were very useful.

The first thing is, what tax cuts have been announced and are still to be implemented? The way I understand it, the government announced that they would cut personal income tax from 40.5% to 32.5% and they implemented the first one quarter of that almost two years ago. Then last year the province moved to a made-in-Ontario tax. When I do all the calculations it looks to me like another 25% of that rate cut was made. You've got to do the calculations because it's a tax on income, not a tax on federal tax. So my calculations say that there's still about half of the personal income tax cut to go, the equivalent of from 45.5% to 32.5%; I think the province is halfway there.

The second big one is on the corporate tax, where I gather from the numbers last year, for each point of corporate tax cut, there's about a \$500-million cost to it. It looks like \$775 million or \$770 million for a point and a half, and the province still has roughly to go from 14 to 8; on most manufacturing, 12 to 8. Can you confirm that those are the two major tax cuts announced but not implemented as yet?

**Dr Christie:** To comment on those two specific tax cuts, on the personal tax cut, you're right, there has been action taken over the last couple of years. The budget last year talked about the province being well on its way to the commitment of cutting by a further 20% and stating the expectation that that 20% would be fully delivered in the 2001 budget.

**Mr Phillips:** Can you tell us where we are now on that?

**Dr Christie:** There have been a number of changes. You noted some of them in terms of the made-in-Ontario tax system, the federal government's response to the challenge in the 2000 Ontario budget and capital gains tax of moving the reduction to 50% up. The government, in the 2000 budget, challenged the federal government to match the 50% tax rate. The federal government did that, effective October 18th.

**Mr Phillips:** The government in the campaign said, "We're going to cut it by 20%." It's a very simple question: Where are we now and how much is still to go of that 20%?

**Dr Christie:** As I was going through, there have been a number of changes. We have a new tax structure in place. We're looking at that tax structure in terms of doing those calculations, because there have been changes, as I say, as recently as November. So we're looking at that and doing those calculations, and I expect that, as was noted, the budget will wrap that up and describe the delivery of the 20%.

**Mr Phillips:** I have to be honest with you, I find it incredible that nobody can tell us, with a promise of a 20% cut, where we are now. I just find that incredible.

**Dr Christie:** As I say, I expect that that would be something—

**Mr Phillips:** Am I right on the \$500 million per point on the corporate tax cuts?

**Dr Christie:** How much per point?

**Mr Phillips:** Five hundred million. Maybe you can get that for us, because I don't need to take the time right now.

**Dr Christie:** We have that here. I believe the \$500 million you're referring to referred to the cost of the entire—we'll have to get that for you. I have it here but I cannot flip to it immediately.

**Mr Phillips:** That's a \$3-billion difference, so I think we have to know that.

**Dr Christie:** You're asking about per point spending?

**Mr Phillips:** Per point, and in your document last year you said that the cost for the first two stages was \$770 million, a point and a half; I assume that one point is \$500 million. But that would be useful to get.

The next thing I'd like to say is that you've talked about heading into a downturn being better prepared. Am I right that in 1990 the debt of the province was about \$39 billion and it's about \$112 billion now, and that the debt-to-GDP was about 14% and it's about 26% now, and the debt servicing costs were about 9% and they're about 15% now? Are those roughly the right numbers, just in terms of the things where we're not quite as well prepared?

**Dr Christie:** Was the comparison with respect to 1989?

**Mr Phillips:** To 1990.

**Dr Christie:** I don't have those in front of me. Gabe, do you have those?

**Mr Sékaly:** The net provincial debt in 1990 was \$38.4 billion, and your next was the per cent to GDP?

**Mr Phillips:** Yes, and comparative. So it was \$38 billion and it's now \$112 billion?

**Mr Sékaly:** It's now down to approximately \$112 billion.

**Mr Phillips:** And the debt-to-GDP was around 14%? Again, maybe you can just provide them. I'm just saying that in terms of how prepared we are, there are some other factors of the debt—

**Mr Sékaly:** Yes, it was 14% in 1990.

**Mr Phillips:** And today?

**Mr Sékaly:** Today, as I said, by the end of this year, based on the \$1.4 billion anticipated surplus, it will be at 26%.

**Mr Phillips:** OK. The pension costs: you showed in the response you gave to us that while we actually are spending about \$1 billion in cash, we're showing a revenue of \$845 million. In other words, the pensions are generating for Ontario a profit, if you will, of \$845 million on our books. How solid is that, looking forward? Is that something we should bank on, that we should



expect a profit out of the pension funds of \$845 million in the foreseeable future?

**Dr Christie:** Perhaps I could begin to comment and then I'll let the experts chip in. But as the answer that we provided indicates, the figures there are reflective of the way pensions have been treated under our accounting rules that were adopted in 1993-94 and continue to reflect, among other things, gains in these pension plans and the pension plans continue to make gains. However, the future behaviour of that expense level will depend, among other things, on the size of future gains and the continuation of bringing into income some of the gains that have been made in the past, as well as things like wage levels etc. So there are a number of variables that can affect the size of future gains.

**Mr Sékaly:** As much as I can get into this—as you can tell it's quite a complicated methodology to follow the Public Sector Accounting and Auditing Board recommendations on pensions—based on the actuarial analyses that are done on pension plans and based on existing benefit levels that are paid through the pension plans, we expect that this situation will continue into the future. There are a number of different variables that one would look at. It would depend also obviously on newer actuarial valuations that are done on a periodic basis on pension plans. But we are expecting that this would continue. 1250

**Mr Phillips:** There's never enough time for questions, unfortunately. It's just life.

The government has said that the local services realignment, what's known as downloading by some of us or many of us, has actually benefited every single municipality in Ontario. I've been trying to get the basis on which that statement was made for several weeks now, and I'm going to have to rely on your good offices to provide us with the evidence of that. The government is saying that every municipality has benefited from the downloading. I wonder if you might—because I assume the government did the study in order to make the statement—provide the committee with the study that proved that.

The second part is, as we look at capital expenditures, five years ago, before the downloading, it looked like the province was providing over \$1 billion of capital expenditures—not operating but capital expenditures—to service the things that were downloaded on to municipalities. Now they're providing no capital money. I wonder if your staff might give us an indication how much annual capital expenditures were being expended by the province on the things that were downloaded to municipalities before the downloading and after the downloading.

So those two things: it's the study the government has of how every single municipality benefited from the downloading. All the discussion has been on the operating side, but based on some analysis we've done, it looks like there's about \$1-billion shortfall on the capital side. You might just provide us with that information.

**Dr Christie:** I think we'll have to for that one.

**Mr Phillips:** I appreciate that, and it's kind of you.

Last year, in the budget you said that for every increase of 1% in the gross domestic product, revenues grew by \$565 million. I see now that if there's a 1% drop, the revenue doesn't drop by quite that much, but social assistance costs increase. It now looks like we may be into something a little bit more aggressive, unfortunately, than that in terms of the decline. Have you looked at what costs do increase? You've already done a part of it—a 1% drop means a \$35-million increase in social assistance costs for the province—but have you done some modelling on what would happen with greater or lesser drops in gross domestic product?

**Dr Christie:** The rule of thumb you're referring to is one that, if I understand your question, if it's bigger than 1%, then these proportionalities still hold.

**Mr Phillips:** Yes.

**Dr Christie:** We have certainly treated them over the years as if they do hold, that it remains that linear. I'll ask Phil to comment on that as well.

**Mr Howell:** First, I think it's important with this rule of thumb to realize how it's calculated, which is just basically at any given point dividing the revenues by GDP. Obviously, if GDP and revenues aren't growing at the same rate, you're going to get a change in the value of that rule of thumb over time. It isn't something you should lock in your mind as a number that's going to hold today and three, four or five years down the road, because that's not the nature of it.

If what you're asking is, are revenues going to be impacted by the slowdown, I think it's important to—

**Mr Phillips:** Expenditures, I meant.

**Mr Howell:** And expenditures?

**Mr Phillips:** Yes.

**Mr Howell:** One answer to that is to realize that even since the budget, our estimates of revenues have increased. So compared to the budget forecast, you're not going to be in a situation where revenues are lower, even with a slower growth rate than we were forecasting.

In terms of looking at the expenditures, of course we monitor that constantly, and there are a variety of places where you would expect spending to be affected as economic circumstances change. The most obvious one, and I guess the one we follow most closely, is the social assistance spending, but there are a variety of other areas.

Gabe, I don't know if you want to—

**Mr Sékaly:** No. I think the major one is the social assistance caseloads that were followed on a monthly basis. As Phil mentioned, we monitor that very closely. That's the major impact from economic changes.

**The Chair:** Unfortunately, Mr Phillips, we're out of time. On behalf of the committee, I would like to thank all the ministry staff for their presentation. This committee will recess until 2 o'clock in this room.

*The committee recessed from 1256 to 1400.*

## ONTARIO CHAMBER OF COMMERCE

**The Chair:** It's slightly after 2 o'clock and, in order to remain on time, I'll bring the committee back to order. Our first presenters this afternoon are representatives from the Ontario Chamber of Commerce, if you could please come forward and state your names for the record.

**Mr Douglas Robson:** Thank you, Chairman. My name is Douglas Robson. I am the president and COO of the Ontario chamber. On my right is Atul Sharma, who is our chief economist, and on my left is Mary Webb, who is our chief volunteer in this area and head of our economics committee.

**The Chair:** On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Robson:** I have a number of things I'd like to read into the record and then I'm sure there will be some questions from the group.

We are pleased once again to have this opportunity to present our recommendations for the 2001-02 provincial budget. As many of you know, the Ontario Chamber of Commerce is a federation of 156 local chambers of commerce and boards of trade, and we have over 500 direct corporate members as well. The OCC represents all sizes of business in all sectors of the economy and throughout the entire province. Through our federation, we currently represent over 57,000 businesses in Ontario. We have been the voice of business in Ontario since 1911.

This pre-budget submission provides an overview of a number of areas of interest for the Ontario Chamber of Commerce and for Ontario business, much more than can be adequately addressed in our allotted presentation slot. Should you have any questions or comments arising from this submission, please feel free to contact us at any time.

The submission begins with a brief overview of the economy followed by our specific recommendations for the 2001-02 provincial budget. As we stated in last year's pre-budget submission, we believe that the provincial government's fiscal and economic goal should be to make Ontario the most competitive jurisdiction in North America. To achieve the government's goal of job preservation, there must be a focus on a number of the recommendations made here. We have grouped our recommendations into two key areas: maintaining a competitive fiscal and economic climate in the face of changes in the economy and smarter spending for the future.

With regard to the economic outlook, we all know that the winds of change have begun blowing through the Ontario economy. A year ago the Ontario Chamber of Commerce, in its pre-budget presentation, predicted that real GDP growth would be in the 3.5% to 4% range. In fact, it is now estimated that economic growth will be close to 6%, much better than we had forecast. This year, 2001, will be a year of considerable risk, though. We've seen a sharp slowdown in the US economy, and of course we're very closely tied to the market south of the border.

Of particular concern is the current slide in US motor vehicle sales. While the US Federal Reserve has taken steps to moderate this downturn, sales of automobiles and other products will fall short of last year's records.

The Ontario economy is probably heading for a slowdown from the previous heady years, but a recession, in our view, is currently not foreseen at the present time. Fifty-two per cent of our members believe that the economy will perform slightly worse than last year. When asked about their medium-term view, only 11% said that they expected a recession in the next three to five years. However, 63% do feel that the economy will advance at a slightly slower pace than in 2000.

A particularly encouraging indicator is that 68% of our members in 2001 intend on making the same or greater investments in computers, software and telecommunications equipment as they did last year; 66% plan on making the same or greater investments in other capital. When asked about their intentions to increase or reduce their workforce, only 7% said that they would be reducing their workforce, while 57% said that they would be maintaining their workforce at the same level.

The Ontario chamber forecasts that real GDP growth for 2001 will be in the 2.5% to 3% range. We believe that this is a prudent forecast given the recent upheaval in the North American economy. With the likelihood of an economic slowdown, there is a considerable risk that Ontario's unemployment rate will rise above the 5.7% average in 2000.

Even though the Ontario economy at the beginning of 2001 faces a weaker outlook than a year ago, it is well positioned to weather the economic slowdown. The government should be recognized for its commitment to reducing taxes and creating a positive business climate in Ontario. Both of these achievements will prove to be an important barrier in ensuring that Ontario can withstand an economic slowdown.

In terms of maintaining a competitive climate, even with the likelihood that revenue growth will slow, the OCC looks to the Ontario government to continue trimming the provincial tax burden whenever possible. We support your multi-year personal and corporate tax reduction plans, and urge you to accelerate these cuts. We also make the following recommendations with the belief that they will help keep Ontario competitive, accelerate its prosperity and help create jobs.

In terms of maintaining a multi-year debt reduction commitment, we are pleased to see the government more than double its commitment to debt reduction, from \$2 billion to at least \$5 billion, during their mandate.

From the chart lower down, you can see it's clear that little progress has been made in reducing our debt-to-GDP rate since it peaked in the mid-1990s. The current debt-to-GDP ratio is approximately 28%.

The faster the debt can be reduced, the faster Ontario can stop spending over \$9 billion to service the debt every year and the faster money can be allocated to additional spending or tax cuts. Public debt interest pay-



ments are the third-highest government expenditure after health and education.

Another reason to focus on reducing the debt is to mitigate the impact of a slowdown on the government's financial position and fiscal objectives.

Alongside the province's commitment to reduce debt by at least \$5 billion by fiscal 2003-04, the OCC urges the government to set a concurrent goal of reducing its debt-to-GDP ratio from its current level of 28% to 20% within five years, and subsequently the goal should be a debt-to-GDP ratio of 15% within a decade, returning the province to the level at which it entered the 1990s.

The provincial government is now allowing school boards to accumulate debt that is not recorded on the province's book and without proper assurance that the province will not be responsible for the debt. The OCC recommends that the provincial government should not allow school boards to accumulate their own debt. Further, the provincial government should also ensure that it is not liable for any accumulated school board debt.

In terms of raising the personal income tax threshold, the OCC supported the province's move to create a made-for-Ontario personal income tax. Now that Ontario is able to set its own brackets and rates, it should consider the following recommendation to continue Ontario's competitiveness. A relatively low threshold for the highest tax bracket is punitive for many middle-income families, given the cumulative impact of inflation on earned income over the past decade. The OCC applauds the government's move back to full indexation, but more substantial bracket adjustments are required, in our opinion.

The provincial surtax was originally imposed to help eliminate the deficit. With Ontario's books now balanced, and the opportunity to create a simpler, more transparent personal tax system, we think the provincial surtax should be reconsidered. So the OCC recommends that the provincial government raise the threshold for the highest income tax bracket, possibly to \$150,000, and strongly consider eliminating the provincial surtax.

In terms of small business, we presented a resolution for discussion at our annual meeting calling for the government to raise the small business limit from \$200,000 to \$500,000 to eliminate the clawback. Two days prior to our annual meeting, the 2000 budget was tabled and it contained a provision to raise the small business limit from \$200,000 to \$400,000. We were pleased to see the government move so quickly on an OCC recommendation. We remain concerned, though, that the clawback is an obstacle for small business expansion. So we recommend that the government accelerate this change and eliminate the current clawback.

In terms of eliminating the capital tax on financial institutions, in this environment of slower growth, the negative impact of profit-insensitive taxes can be significant. In prior submissions to the government, the OCC has suggested the capital tax on financial institutions be removed, as it is a discriminatory tax against the financial

services industry, which is a major industry and a major component of the Ontario economy and one of the biggest businesses in this city. We recommend that the provincial government eliminate the capital tax on financial institutions and then reassess the general corporate capital tax.

With regard to seeing if taxes are fulfilling their original purpose, the Red Tape Commission has reviewed a number of outdated regulations. It's now time to re-evaluate a number of taxes that may now be disconnected from their original purpose. Their negative impact on Ontario's competitiveness may far outweigh their revenue generation. Examples include the tax for fuel conservation, TFFC, the corporate minimum tax, CMT, and tax exemptions for labour-sponsored venture capital corporations, LSVCC. We recommend that the provincial government should initiate a reassessment of current taxes to see if they are fulfilling their original goal.

In terms of GST-PST harmonization, the issue of harmonization has not been widely discussed in the political arena in recent years. Understanding the political hesitation to move forward on the issue, the OCC nevertheless maintains that business efficiency arguments call for an examination of the potential to combine these two taxes, thus decreasing the administrative burden on business.

The OCC believes the broader base of a harmonized sales tax would allow this change to be revenue-neutral, with a one to two percentage point reduction in the rate. So we recommend that the provincial government should examine the benefits of GST-PST harmonization, coupled with a one- to two-point rate reduction.

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With the recognized longer-term advantages of stimulating savings and productivity-enhancing investment, the OCC favours cuts to personal income and corporate taxes over a reduction in retail sales tax. However, we continue to advocate the advantages for business efficiency of the harmonized sales tax. In a recent survey of our members, nearly four fifths of our members said that they would favour a combined GST-PST if it leads to lower reporting costs for their businesses.

In terms of municipal share corporations, the OCC would like to take this opportunity to applaud the government's initiative to bring together representatives of the business and municipal sectors to see if consensus could be reached on some of the outstanding issues regarding a new municipal act. We participated, along with other associations, in the municipal share corporation consultations. Based on those discussions, the OCC believes that there is a fundamental agreement around the principles that should guide the creation of municipal share corporations. Our members feel that if approval is given for the establishment of municipal for-profit corporations, then they should be incorporated under the Ontario Business Corporations Act. There was some discussion around establishing a completely separate type of corporation specific for municipal purposes. We cannot support the idea of allowing municipalities to estab-



lish for-profit corporations outside the OBCA since it is possible that municipal for-profit corporations may be competing strongly against private sector corporations.

The OCC recommends that if municipalities are allowed to establish for-profit corporations, then they must operate on a level playing field with the private sector for-profit corporations.

In terms of smarter spending for the future, the OCC recognizes the difficult tradeoffs facing the province in balancing its multiple investment priorities. We believe that there are primarily three areas that will require smarter spending for the future: health, education and transportation.

With respect to health care, we have recently formed a task force to look at how Ontario spends its health care dollars, with the objective of achieving service improvements more efficiently. We see our health care system as part of our economic infrastructure in Ontario. All of the demographic indicators point to an increased usage of the health care system over the next decade because of an aging and a growing population. Our hope is that in our 2002 pre-budget submission we will be able to make some specific recommendations related to health care.

Investments in education will continue to be an important part of the investments needed for the future growth and prosperity of Ontario. The OCC, through its board of directors, decided to tackle education as a business issue. We have worked with the government on developing its new curriculum to ensure that business studies were part of the mix. We also supported the government's move to open up the university sector to allow for more choice for students when deciding on their post-secondary path. We look forward to continue working with government to make Ontario's education system the best in the world from early childhood education to post-secondary.

The third area of smarter spending for the future is transportation. As some of you know, we have launched an initiative calling on the province to study and establish an Ontario transportation authority. This authority would coordinate transportation infrastructure development and public transportation in Ontario. A world-class transportation system is key to continuing Ontario's prosperity, in our opinion.

We would recommend to the province that they establish a task force to report to the Premier within 90 days outlining the business case and plan for establishing an Ontario transportation authority. This task force would be led by the OCC and include representatives from all levels of the government, business, non-profit and institutional sectors. I think you've all got a copy of the separate submission, plus there are points in the paper you have.

Ladies and gentlemen, we know there's no one solution to keeping Ontario competitive. However, there are many areas which require attention, and we've attempted to bring those issues forward. We hope that our efforts assist you in your deliberations. We thank you for the opportunity, Mr Chairman, to make this

presentation and we are prepared to answer any questions in the time allowed. So if there are any further questions, we are happy to meet with members now or at a later date, but I think we have a bit of time.

**The Chair:** Thank you very much. We have about three minutes per caucus and I'll start with the government side.

**Mr O'Toole:** Thank you very much for making your presentation. I certainly look forward to the comments on an annual and more frequent basis. I may share my time with Mr Galt.

I just want to focus on page 13 of your presentation. You talked about—and I may just jiggle this around a bit for you—smarter spending for the future. I took that to mean something more than you've just said here. You looked at transportation and other infrastructure. I want to specifically ask for your response to what I consider a challenge, whether it's B to B, a business-to-business basis, or business to government or government to business, and some of the initiatives. When you look at the minister's overview this morning, it was clear that not just the domestic economy and the changing profile of the domestic economy, moving from more manufacturing to a knowledge-based economy—are those the right decisions? What I'd call smart investment as opposed to smart spending were some of the initiatives that we took to support the high-tech sector. I could mention a couple of them here. From the minister there was the research-oriented investment fund. There was also the research and development stock option benefit. Looking forward in positioning ourselves, not just in the Canadian context but certainly the North American, if not indeed the global, do you think these are the right kinds of decisions or should we look in the mirror and look back at the manufacturing, some might argue, lower-value-added sectors of the economy?

**Mr Robson:** One thing we know is that the Ontario economy has restructured itself. It's in a lot better position to withstand any downturn. The government has done a lot to restructure things in its own right. I'll let the economists go on with it, but in terms of our transportation initiatives, we've heard senior members of the government say, "We're not the government, we're here to fix the government." They have fixed a number of areas, but in this particular area of transportation we believe that there has to be a multilevel government approach on it. We're talking about interurban transportation; we're not talking about the TCC.

**Mr O'Toole:** I understand.

**Mr Robson:** We believe there'd be a lot to be gained from that because people are all caught in their own silos.

Mary, I think you may have a response to that one.

**Ms Mary Webb:** While the technology now is under a bit of a cloud with corrections on the equity market etc, we certainly do not see its growth ending for Ontario, and I think Ontario is a classic example of how much the new economy can benefit a province. I think we have to give full credit for the government's support of those initiatives and looking for further co-operation between

academic, the government and private business. It seems to be what generates the new ideas and new technology.

But I also would argue that one of the things going into the slowing that we see for the Ontario economy is its better diversification this time. That means that continuing support has to be given to the old economy, particularly because it's so important for old economy industries to adopt the new technology. Auto parts is an example of that, where over \$10 billion in business investment over the past decade has really put it in a stronger position in terms of serving US assemblers and tier-one parts companies.

I think a sole focus on the new economy is short-sighted because we have a lot of growth and job creation still remaining in the old economy.

**Mrs Sandra Pupatello (Windsor West):** Thank you so much for that presentation. I wanted to ask you specifically about the SuperBuild fund. You've spent a great deal of time lately developing this plan and your view for transportation improvement. It's very good to see the references to southwestern Ontario and the corridors that require significant upgrades for future growth and even current levels of transportation requirements.

**Mr Robson:** I should apologize. We left out the tunnels, which equal 2,000 trucks a year.

**Mrs Pupatello:** Thank you. Yes, about one fifth of what goes through our bridge every day in Windsor.

I wanted to mention, though, that given what you feel is the chamber that should happen in terms of a new authority for transportation and the almost opposite view that the government holds that each municipality would go forward with having to submit an application to SuperBuild in order to get infrastructure dollars for roads, then there really is no working together among the corridor to get the kind of infrastructure that's required, especially along southwestern Ontario, where the majority of auto plants are, where the majority of manufacturing exists for Ontario. So really, SuperBuild would work in an opposite fashion to what you feel is required to develop proper transportation infrastructure.

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**Mr Robson:** One of the keys is that it will work between all levels: federal, provincial, regional and municipal. Second, it uses a business model. So when someone is appointed, no matter what the appointment process is, which would be part of the study, as far as we're concerned, their fiduciary duty, if you will, would be to the Ontario transportation authority, not to Etobicoke or Sarnia or Thunder Bay or Ottawa. That creates quite a difference in the way the organization thinks, that they have to do the best thing for the entire province.

**Mrs Pupatello:** So the concept of SuperBuild, where individual municipalities have to go forward with an application, then wouldn't result in the kind of infrastructure development that's going to be required in the paper you've laid out for the development of a transportation authority.

**Mr Robson:** One of the keys to the transportation authority is forward-looking. One of the things we found

when we were in Hamilton last year and we had a conference on transportation was that in 1960 you could look 10, 20, 30, 40 years out in transportation and see what should happen. They've said that the 407 was talked about 20 years before it was done. Unless somebody is hiding something, we don't see that sort of look now. So what we're saying is that you need an organization that can do that sort of planning, coordinate it all, consult on it, is an open organization and has different ways of financing, whether it's going to bond markets or exempt bonds or toll highways or whatever. It's a whole different look at the thing, and that's why you do a study to see how things like SuperBuild would fit into it or how the GTSB would fit into it, what have you.

**Mrs Pupatello:** And if you did continue with that type of financing you've just mentioned, wouldn't they then be in the same boat the school boards are in now in accumulating debts because they're having to get debt for the capital projects to build schools?

**Mr Atul Sharma:** The way the authority is intended is that it would be a not-for-profit authority, as well as being a not-for-loss authority. So it would ensure that there should not be any sort of accumulation of off-book debt, but certainly that's an issue that should be brought into the study.

**The Chair:** Thank you very much. Mr Christopher-son.

**Mr Christopher-son:** Doug, good to see you again.

**Mr Robson:** Likewise.

**Mr Christopher-son:** I wanted to ask you about the acceleration of the debt, if I can get my hands on the exact recommendation.

**Mr Robson:** You mean in terms of moving down in the GDP ratio?

**Mr Christopher-son:** Yes. This was your first recommendation, actually. I guess my question would be the timing of it, given the fact that the US slowdown is affecting us. We've got over 15,000, 16,000 layoffs, either temporary or full-time, already announced. You mentioned in other recommendations about the need to do things about health and education and the continuing demand on there. I'm wondering how you view the potential for lower revenue in the foreseeable future, as a result of the slowdown in the US economy, with increasing expenditures, which would be reducing the debt, at a time when we don't have enough money right now being invested in the fundamentals: health and education. How do you square all that, Doug?

**Mr Robson:** I'm going to ask my colleagues to join me after I answer, but I would like to use the auto sector, if I might. Last year they sold 18 billion units in America. They recommend this year it'll be 16.5 million units. I think I said billion.

**Mr Christopher-son:** Yes, you did. I was wondering. Wow.

**Mr Robson:** But that 18 million vehicles was the greatest year they'd ever had. The point is that they're moving down not that much. If you look at what happened in the early 1990s, they were at 12 million. So



they are forecasting less but they are not forecasting a crash. That's what we're saying. There's less growth but you can't take your eyes off that debt-to-GDP ratio because it's twice what it normally would be. It's one thing to say you've paid off your Chargex, but if you've still got a mortgage on your house of \$300,000, it can be a burden, and we've still got the mortgage on the house. Either Atul or Mary may want to add to that but that's how I see it.

**Ms Webb:** Yes. There's no question the slower the revenue growth, the more trade-offs are going to have to be done and more balancing, which is why we ended up our presentation with the smarter spending, because we see that it's going to have to be a continuing priority of the government to spend as effectively as possible.

But to accomplish the 20% debt-to-GDP ratio in five years, it requires a debt repayment of just over \$1 billion each year. Of course, that can be averaged over the period. Some years might be slightly less than that; some years could be more than that. But it's probably not an unreasonable amount to set aside. It simply goes to prove the fundamental truth of debt repayment. In one year the saving in debt service is not that great from paying down just over \$1 billion, but if you do it for five years, the cumulative saving is in fact substantial.

**Mr Christopherson:** I don't think anybody is arguing with the fact that paying off debt is good. That's not really the point, if you will. It's more a matter of these trade-offs. I'm trying to understand. At a time when there's not enough money to go around for the things that are needed by the majority of people, the ordinary working middle-class families that are out there—there's not enough money to meet their community needs. To suggest that if there's going to be greater spending—it's not often the chamber recommends greater spending, but that's what this is. It's spending money. It's just spending money to reduce a debt, and yet there are all these other pressures. To use Doug's analogy, if you paid off a Visa card and you've still got a huge mortgage and you need to take care of it, if you have a bigger priority and a bigger problem putting food on the table, that's going to be your immediate need, as opposed to saying, "We've got to go beyond our regular mortgage payments and we've got to pay down extra." That's where I think a lot of people are, certainly in my community of Hamilton. I have some real difficulty with that.

The other thing is, I was curious that in recommendation 6 you are making the case, and I quote from your document: "With the recognized longer-term advantages of stimulating productivity-enhancing investment, the Ontario Chamber of Commerce favours cuts to personal income and corporate taxes over a reduction in the retail sales tax." We've already seen enormous amounts of cuts that have gone to the corporate side of things, and on the personal income tax benefiting, again largely on an individual basis, those with a higher income. At least with the PST, everybody who makes a purchase would benefit in some way. Why, after all these cuts in the corporate sector that have benefited the very wealthy in

Ontario, do you now want to deny any opportunity, if you're going to go on cutting taxes, to do it in an area where it would affect the most people and do the most good, quite frankly, on a day-to-day basis because it would free up that spending money? Why would you do that?

**Ms Webb:** Three reasons: first of all, I think there's a greater long-term advantage to reducing corporate taxes. In fact, the government just embarked on that program last spring. It was a multi-year program. It's to Ontario's advantage to accelerate it because in this period of fuller growth there's going to be more and more competition with new investment. If Ontario can't succeed in attracting that new investment, then we see the loss in terms of job creation. For low-income families, the most important thing we can provide is the job creation that gives them a source of income. The corporate taxes have been proven to be very effective, in a range of industrialized countries, to attract new investment and job creation.

On personal income tax, I think the records show that the cuts were certainly benefiting higher income but also benefiting lower income. Once again, that's setting up a productive capacity, developing skilled labour, that type of initiative that is not a one-time spending initiative; it's a longer-term productive capacity.

**The Chair:** With that, I must bring the discussion to an end. Thank you very much, on behalf of the committee.

**Mr Robson:** Thank you very much on behalf of us. Thank you to all the members too.

1430

#### GREATER TORONTO HOME BUILDERS' ASSOCIATION

**The Chair:** Our next presenter is a representative from the Greater Toronto Home Builders' Association. Please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Patrick O'Hanlon:** My name is Patrick O'Hanlon. I am currently president of the 1,100-member Greater Toronto Home Builders' Association, or GTHBA. As well, I am president of Angus Glen Developments and Kylemore Homes. With me is our director of government relations, Jim Murphy.

I want to talk to you today about two things: first, the state of the housing markets in the GTA and Ontario; second, the recommendations contained in the GTHBA pre-budget submission, a copy of which you have just received.

We have had a couple of good years in the housing market in the greater Toronto area and Ontario. However, I am here to tell you that things are slowing down. Last year was a record year in new home sales in the GTA, with over 40,000 new units sold. The GTA accounts for nearly 60% of new home sales in the province. In addition, the GTA accounts for nearly one quarter of all new home sales in the country. By comparison, the state



of California accounts for roughly 10% of all the new home sales in the United States.

The product that purchasers are buying is diverse. Today in the GTA, nearly one third of all new home purchasers are buying condominiums, many of them multi-residential. Nearly 30% of all new home sales in the GTA last year were in the city of Toronto, over 80% of which were condominiums. There are very few other North American cities where the central area accounts for such a large portion of new sales activities.

Perhaps more important, the housing and renovation industry is a major economic contributor. In 1999, the new residential construction and renovation sectors contributed \$8.4 billion in GDP to the province. By comparison, the automotive manufacturing industry contributed \$7.2 billion. According to the CMHC, each newly constructed home generates 2.8 jobs, meaning that our builder members contributed in excess of 100,000 person-years of employment last year in the GTA alone.

Housing is a major economic contributor to our economy. Government tax policies should support, not penalize, the industry. As I mentioned, sales are slowing. While we had a record year in 2000, the sales for both November and December 2000 were down when compared to November and December 1999. We will be releasing our sales numbers for January 2001. Based on the feedback from our members, we expect the same trend. We will then have a full quarter where sales are down.

As well, compared to the boom of the 1980s, builders were performing in an economy with very little inflation or speculation. There is double the number of sites versus the 1980s and almost double the amount of competition. It is a very fierce marketplace.

Prices of new homes are higher in the GTA than elsewhere in Ontario, or the country for that matter. The average price of a new single-family home in the GTA is now over \$280,000. This is a result of higher land costs, higher labour costs and higher material costs.

Our five budget recommendations speak to this reality as most of them have as a basis a concept of putting more money in the pockets of consumers and new homebuyers. They also speak to fairness, enhancing affordability and creating jobs.

GTHBA contracted with noted housing economist Greg Lampert to provide the financial impacts of our recommendations. We believe strongly that by targeting potential new home purchasers and existing homeowners, monies are directed right back into the economy to make ancillary purchases.

This has certainly been the case with the land transfer tax refund. Our first recommendation will deal with the land transfer tax refund for first-time buyers of newly constructed homes. We believe this has been one of the most successful programs the province has introduced. In 1999, the refund was increased to \$2,000 as per a previous GTHBA recommendation and was made permanent last year. Our housing economist, Greg Lampert, estimates the refund will put \$35 million back into the

pockets of new home purchasers this current budget year. Why was this tax introduced? We believe that back in the 1980s, when speculation was rampant, and inflation and escalation of prices, it was necessary to tax that activity. This is not the case in 2001 and we do not foresee it for the rest of the decade.

GTHBA is recommending that to assist purchasers with their downpayment, and in light of higher housing costs in the GTA, the maximum refund limit of \$2,000 be eliminated entirely. In other words, first-time purchasers of new homes would pay no land transfer tax. We believe that purchasers use this refund for ancillary purchases such as appliances, usually in the community where they have purchased their new home. Our proposal is estimated to put a further \$6 million to \$8 million into the pockets of new home purchasers annually.

Alternatively, and again in light of higher housing costs in the GTA, we would recommend increasing the refund limit to \$2,500. This, according to Lampert, would equate to a \$270,000 home, still below the GTA single-family average. I wish to note that this program is only for newly constructed homes, not resales, and we would strongly recommend that it stay this way. Resale homes do not generate jobs and there is no federal tax, such as the GST, on resale homes.

Second, GTHBA recommends eliminating all current size criteria in the province's PST grant program for newly constructed rental units. This program should be used to promote newly constructed rental projects, period, regardless of unit sizes. Removing the restrictions would expand the program to include medium- and high-end rental projects that are likely to be attractive to investors and free up other units for renters.

Additionally, GTHBA is recommending that the grant program also apply to condominium registered units. Condominiums are an important part of the secondary rental market. Approximately one quarter of all condominium units in Toronto are rented. Builders are planning to construct new rental units but register them as condominium for property tax reasons. Condo-registered rental units should be treated the same, as they serve the same purpose of creating rental housing options for individuals, many of them right here in the city of Toronto. We have been informed that the majority of these funds were allocated to long-term facilities and not new rental projects. The government has recently, we understand, rectified this situation.

Our third recommendation is related to the first two. While the last recommendation deals with encouraging builders to build rental units, we also believe that like the land transfer tax refund program, there should be an incentive to individual renters to buy new homes. We are proposing that purchasers of newly constructed homes who are currently renting be provided a \$2,000 grant. This would be over and above the land transfer tax refund and would help individuals to meet a downpayment. It would also have the added benefit of freeing up rental units for other consumers. We believe it is a win-win

situation. Our economist, Greg Lampert, estimates that such a program would cost roughly \$47 million.

Our fourth recommendation deals with the renovation market. This market is a growing component of the overall residential market. The GTHBA is proposing a provincial sales tax rebate program for renovations of \$5,000 or more. Greg Lampert estimates that every 1% reduction in the PST on materials used for renovations above \$5,000 equates to roughly \$20 million. A rebate of half the PST would equate to \$80 million. However, again, this rebate would go to homeowners and taxpayers that are paying the PST. It would also encourage the upgrading of the existing housing stock in our cities. Today much of the renovation market is, unfortunately, conducted underground. Such a program, we believe, would encourage more renovation work to be conducted above-ground.

Finally, the GTHBA is recommending, as we did last year, that the capital tax exemption limit be increased from the current \$2 million to \$5 million. Real estate, like forestry or mining, is a capital-intensive industry and we are penalized as a result. We are taxed regardless of any economic activity and, rather, taxed on assets. We believe that the capital tax exemption should be raised.

Those are our five recommendations. They have as their basis promoting home ownership by putting more money back into the pockets of individuals. As I stated earlier, every new home generates 2.8 jobs and there are numerous spinoffs in other industries. As we begin to slow down, now is the time to assist home purchasers, particularly first-time buyers.

Thank you, Mr Chairman. I would be pleased, along with Jim, to answer any questions the committee may have.

**The Chair:** Thank you very much. We have approximately five minutes per caucus. I'll start with the Liberals.

**1440**

**Mr Phillips:** Thank you for the presentation. One of our concerns is the lack of rental accommodation. You haven't got the numbers in here, but you refer to it in several different places. The numbers I've seen say that Ontario needs a minimum of 15,000 rental units built per year—I think it's either 15,000 or 20,000; I've seen two different numbers—and that there were perhaps well less than 1,000 per year built over the last four years. Most of them, I gather, are not for people of modest income but maybe at the upper-income level. We have in Ontario, then, a need of 15,000, but fewer than 1,000 a year, so the backlog appears to be building up—a 60,000-unit backlog in the last four years or so.

In the area I represent in Toronto, I get a lot of people into my constituency office who simply can't find accommodation. The reason I'm asking the question is that you refer in this document to some suggestions you have to perhaps improve that. The challenge, I recall, is that previous presentations by homebuilders—maybe the Ontario homebuilders, not yourself; I can't remember—have said, "Listen, nobody is going to build substantial

numbers of medium-income rental accommodations in Ontario." Have you any advice for us on how we can begin to tackle that? I gather, with the rental program here, you're suggesting most of it has gone to retirement homes, so that even the modest proposal over the last two years hasn't gone to rental accommodations; it has gone to retirement homes. Do you have any advice for us on how we can in any substantive way see rental accommodation being built?

**Mr O'Hanlon:** I'm going to deal with part of your issue on what we're doing now and then I'm going to turn it over to Jim on what some other jurisdictions are doing. Right now, the way we've been tackling the rental shortage is through the building of condominiums. About a quarter of the 13,000 condominiums that were built last year have gone into the rental pool, so roughly 3,000 units a year have been coming from the condominium sector, which have been very affordable, especially in the city, going anywhere from \$90,000 to \$300,000. So we have been able to find affordable accommodation. We have been able to find it right in the core and in the surrounding areas.

What we're suggesting here in our pre-budget submission is, how can we make it even more affordable, especially for that first-time buyer to enter into the market and free up existing rental units? We're tackling that as a win-win situation. As far as other jurisdictions, Jim?

**Mr Jim Murphy:** We're members, along with a number of other trade associations, on something the province has set up called the housing supply working group. Former Housing Minister Clement had established this at Municipal Affairs and Housing to look primarily at what we can do to get private rental construction in Ontario. We're going to be coming out with a report on that fairly shortly, probably in February or March.

A lot of the impediments to new rental construction in the province are federal tax policies. The federal government changed their federal tax policies for new private rental construction back in the early 1980s, things like appreciation, capital cost allowances, provisions to roll over—if you sell one apartment building and use the profit from that to buy another one. The federal government brought in a number of measures in the early 1980s that have acted as a disincentive to new private rental construction in the province. So we will encourage the federal government to deal with some of those issues.

It's important to note that in the city of Toronto, at least, many developers and builders are very close to building rental. The numbers are working out, with low interest rates and other numbers that are out there in terms of their pro formas. It's very close to new private rental construction. What we're seeing, as Patrick indicated—and it was one of our recommendations—is that builders and developers are going to register these as condominiums anyway. They're not going to register them as apartments, primarily in the city of Toronto, for property tax reasons.

You may have seen in the newspaper, for example, that Minto Development wants to build a fairly large



project at Yonge and Eglinton. One of those 50-storey buildings will be a condo-registered rental building that will provide new rental spaces in the city. We're seeing that also, I believe, down at John and Wellington. A US developer is building rental units. So we're seeing new production. I think we're going to have 2,000 new rental units built in the province, which obviously is not enough but is more than was done previously.

As Patrick indicated, there is a whole secondary market out there that's meeting that need, primarily the condominium market in this city, and secondary access apartments and other things. So we're seeing some construction.

We have been working with the province on some measures to promote it. The province does have a program, admittedly fairly small. If you look at some of the numbers—we've done some research—if you exclude the down payment on an affordable condominium, the carrying costs for a \$100,000 or \$120,000 one-bedroom or bachelor condominium, as Patrick referred to, equate to what the average rent is now in the city of Toronto. So some of our recommendations deal with trying to make it more affordable to own in terms of the down payment issue, because your monthly costs are very similar in terms of what your rent is, which has been increasing, versus your carrying costs of the mortgage, which have been either staying the same or decreasing. In fact, in the next several months we'll see further reductions in interest rates.

That's a long-winded answer to your question, but a lot of the issues have to do with federal tax policies that act as a disincentive.

In the United States, the federal government has a very large what they call low-income tax credit program. It's a \$3-billion program that's applied across the United States. It was brought in in the mid-1990s and had bipartisan support among Republicans and Democrats. It has resulted in about 90,000 units being built in the US annually. It's targeted toward developers and builders. They have to have a certain percentage in their projects that meets an income test. We have a number of Canadian and Toronto builders who are doing this in the US—in Texas, in Florida, and all over the States. It's a very successful program; something we would like to see emulated either provincially or federally.

**Mr Phillips:** What I heard was that there aren't going to be a substantial number of rental units built.

**Mr Murphy:** That's correct.

**Mr Christopherson:** To follow up on the same issue but maybe just a little different tack, you mentioned in your response to Mr Phillips that the condo market was providing people who are in apartments somewhere to go, and that frees up the apartment units and therefore puts more supply on the market. Correct? I think that's fair.

One of the difficulties some of us see with that for the apartments that are being freed up as a result of someone being able to muster a down payment and purchase a first-time condo, for instance, is that without rent con-

trols, and the fact that there are so few apartments on the market, it means that once it goes on the market, the price jumps. Yes, you have a unit on the market but it's not affordable, at least for a lot of folks. And, of course, the lower your income, the greater the urgency of who we're trying to address here when we talk about affordable housing. Could you comment on that for me?

1450

**Mr O'Hanlon:** In a number of municipalities there are studies going on right now on exactly what you're talking about, and that's affordable housing. When you talk about affordable housing and rental housing, there is a distinction. They are actually two different matters. What we're talking about right now is market housing and bringing market rental units back on to the marketplace.

Back in the early 1990s, the NDP, and the Liberals before that, actually brought out certain thresholds that each community or each building had to meet in terms of affordable housing. Our industry is doing that by itself now. The economy is dictating it, our costs are dictating it and the market is dictating it. We feel, as an industry, we are bringing out more affordable housing now than ever in the 1990s and we are addressing that market.

As far as assisted housing, we feel that is something the government should be tackling. All the municipality mayors actually have been gathering a task force to do such a thing.

**Mr Christopherson:** I think we are using different definitions, and I agree with that.

I have to say, though, that just about every study I've seen says that we aren't, as a province, meeting the need for affordable housing, especially for modest- and low-income families. It's not being met. I'm not suggesting that you aren't trying in some fashion, but to suggest that somehow it's therefore being dealt with is not really where we are. We're seeing more and more and longer and longer waiting lists for people who are waiting for affordable housing.

You referred to our government in the 1990s. We were the last government in North America that was still directly providing affordable housing. The interesting thing is, the government uses that as an attack; I say it with pride. I think it's a shame that we don't have a national housing strategy. The Liberals bailed out, and the Tories bailed out in Ontario. There is nobody left in North America as a government that is saying, "We've got a responsibility to our most vulnerable."

I appreciate that what you're talking about is within the market, but you've put a dollar figure of \$47 million on there. In terms of absolute need, when you talk about homelessness—and it's finally starting to creep up in the poll numbers for people's awareness—and link it to the fact that a lot of people who consider themselves middle class are on the brink of sliding off middle class, this is a huge problem for all of us. I still don't see where that gets addressed here. At the end of the day, it's you folks who will physically build it. I realize it will be financed



elsewhere, but there is that partnership. So we're still missing a huge need in our society vis-à-vis housing.

**Mr Murphy:** Maybe I might comment on that just quickly, Mr Christopherson. As Patrick says, there are two issues here. One is the bricks and mortar, and that's some of the stuff we've been working on with the province and with the federal government, to say there are two ways you can do that: either the government has a program or you do it through the tax system to encourage it, which is what they're doing in the United States. Either way, they are meeting a need in the market. I think our position would be that you do it through the tax system.

The second point of the whole issue is an income problem, which is more of a social issue. It's getting away from the bricks and mortar to say there's an income problem with tenants or income groups. The best way to deal with that—and we certainly supported this as part of our response to the Golden commission—is through a shelter allowance program. So there are two issues. One is the bricks and mortar in terms of meeting the need and the other is an income shortfall.

**Mr Christopherson:** It's interesting that minimum wage, which is a key issue—

**The Chair:** We're out of time. I'll have to go to the government side.

**Mr Arnott:** Thank you, gentlemen, for your presentation. I think you've laid out very well the expectations of your membership for consideration by this committee, and I hope the Treasurer will listen to what you have to say too. The fact that you've attempted to give us the financial implications of each of your recommendations is very helpful. We get a lot of groups that come in here and ask for certain things, but when you tally up what their expectations or requests are, it's fairly excessive. It's helpful to know what it's going to cost in terms of our recommendations that we will take forward.

In terms of your sector, your industry today, we often hear about housing start numbers. I think in the last three or four years, housing start numbers have been very strong across the province. I assume that's been the case in Toronto and the greater Toronto area. Can you give me some up-to-date statistics on housing starts in Toronto right now and where you see the trend going in the next year?

**Mr O'Hanlon:** Actually, CMHC just released the housing starts for January and they're substantially up. However, as you all know, housing starts reflect the sales of six to 18 months, when you go to a condominium, behind. So as an industry we really look at sales as the barometer, and over the last two months and January we see sales decreasing across the GTA, where the bulk of our sales come from.

Last year we reached an unprecedented number of 41,000 sales across the GTA which even beat our record in 1986. This was done with a very stagnant inflation and very little or no speculation, but it also came from a marketplace where in 1986 we had just over 200 builders; now we have 400 builders. We had 300 sites

back then; now we have 600 sites. So we see the average number per builder per site going down each and every year, and we're looking at possibly a 10% to 15% decrease from sales in the year 2000, which is still a very robust year.

We don't want to paint a dark picture here; in fact, in two weeks we write an article for the Toronto Star where we're trying to dampen this recession word, because we see that Ontario is poised for a very good marketplace, very low in unemployment and good economic conditions. But we're bracing ourselves for lower, more stable growth and we're trying as an industry, this year especially, to talk to our trades, to talk to the governments and talk to our business partners and say, "Look, let's not look at this as something that is just going to keep going, let's not get caught back in the early 1990s when we went through five years of very, very poor growth, and how do we maintain and sustain this with our partners?"

We don't mind returning to normalcy or stable figures, but we do not expect this 41,000 figure to continue this year. Then beyond that we're not sure. Sorry for being long-winded here, but this year we're going into a strike situation, and the government has given us the ammunition with Bill 69, where all the trades come up all at the same time on April 30. So for the very first time we're not going to go through what we went through in 1998 when it was almost nine months of strikes, first the sheetmetal workers, then they found out, and it just went on. Here we're going through and the trade unions and the builders are looking at this and saying, "How do we maintain this?" and we're looking at government to do the same thing.

**The Chair:** On behalf of the committee, gentlemen, thank you very much for your presentation this afternoon.

## CANADIAN MENTAL HEALTH ASSOCIATION, ONTARIO DIVISION

### SCHIZOPHRENIA SOCIETY OF ONTARIO

**The Chair:** The next presenter this afternoon will be representatives from the Canadian Mental Health Association, Ontario division. Please come forward and state your names for the record.

**Dr Barbara Everett:** My name is Barbara Everett. I'm the chief executive officer of the Canadian Mental Health Association.

**Ms Janice Wiggins:** Good afternoon. My name is Janice Wiggins, and I'm the executive director of the Schizophrenia Society of Ontario, just to distinguish our two organizations, and we truly appreciate the invitation of the CMHA to co-present with the committee today.

**Ms Brigitte Hough:** I'm Brigitte Hough. I'm president of the Toronto chapter of the Schizophrenia Society.

**Mr John Trainor:** My name is John Trainor. I'm chairman of the Ontario Working Group on Early Intervention in Psychosis, and we are partners with the Canadian Mental Health Association in that effort.

**The Chair:** On behalf of the committee, welcome, and you have 30 minutes for your presentation.

1500

**Dr Everett:** Thank you very much for the opportunity to present to the committee. We thought we would keep it relatively short, perhaps 15 minutes of our presentation, and then take questions and have conversation, because that's the way we like to do things.

My name again is Barbara Everett, and it's a pleasure to be here today.

The CMHA, Ontario division, represents 35 branches, and that's 35 agencies all across the province, serving the seriously mentally ill. We also represent approximately \$50 million in spending in community health endeavours, and we serve about 65,000 clients a year.

While it would be typical for me, invited to this committee, to speak about the needs of community mental health in general, specifically when a sector is under pressure due to the divestment and the downsizing of the psychiatric hospitals, I wanted to do something a little different today, and hence my partners are here with me today. What we would like to do is highlight a good-news story in mental health. They're not that common, and we thought we'd bring that to you today.

The good-news story is early intervention treatment in psychosis. Psychotic illness is typically understood as schizophrenia, but it's not necessarily so narrowly focused. However, in this case, we're going to talk specifically about psychosis as it relates to a diagnosis of schizophrenia. The onset of schizophrenia is often in mid or late teenage years, and children at that age can go years without recognition and diagnosis of this particularly difficult illness.

One of the CMHA's roles is to create or to participate in partnerships in mental health care in Ontario, and today I've brought my partners with me. We have joined together in order to look at early intervention for youth experiencing psychotic illness. The partnership represents mental health professionals, physicians, families and consumers. The other partners, who couldn't be with us today, are the Hamilton Health Sciences Centre, the London Health Sciences Centre, and the Ottawa Hospital. So this is a project that has a true provincial scope to it.

As you probably are aware, partnerships are always complex and partnerships in mental health are doubly so. Families and consumers often cannot agree on what is the best course of action to take. Mental health professionals and policy-makers can be at odds with one another. However, every so often an idea comes along where we can all agree on the right course of action to take, and in this case it's the early intervention strategy.

Psychotic disorders, most notably schizophrenia, strike young people. When that happens, it's not generally easily recognizable, and you can imagine the confusion of the families when they are struggling with these kinds of manifestations of symptoms in the home. The teens themselves can hide these symptoms as a part of the disorder but simply from shame and not understanding what is going on. Professionals can misdiagnose, also

not understanding what is occurring at this point in time. The result is tragic. The teens can grow up to be extremely troubled adults. They can drop out of school. They become alienated from their families due to the disorder and they end up alone and, in worst-case circumstances, can end up on the streets.

The other side of the story is that this can cost millions of dollars to the system in health care. You've not only created a chronic mental health patient, but you've lost the opportunity for a productive adult in the world. The capacity to get an education, to get a job and to pay taxes is all lost to us.

So there are two sides to the coin. There is the suffering that is engendered by psychotic illnesses, but it's also the cost to the system when they are not identified and treated early.

Today we have a model that works. The early intervention model is dynamic, is creative and is effective. It starts off with substantial public education to the teens themselves, their families, teachers, guidance counsellors, coaches, clergy—wherever the kids hang out—talking about the early signs of psychosis. It's an interesting innovation in health care when you talk about public education, because often health care is focused on illness care. In this case, these types of projects go out into the schools. The Schizophrenia Society and other family groups are particularly helpful because they go and speak directly to the kids themselves and to the people that the kids are likely to interface with and trust. They tell them all about what psychosis can look like, not to be ashamed to get some help and to get it early.

What then happens is that youth can actually be treated at home. There are innovative clinical teams that go out into the community, meet with the families and treat the kids at home. We recognize that it can be stigmatizing for kids and their families to show up at a psychiatric hospital, and therefore these kinds of innovative treatments are particularly valuable because they defend against stigma. The kids can stay in school if they're well enough, there's minimal interruption to their lives, and something else that's important is that they're treated with low doses of medication. So this is a little problem treated in the least intrusive manner possible and of course at a low cost to the health care system. The thing is that it works. It doesn't work for everybody, and we don't want to overstate our case here because there are certain numbers of people who have a really difficult onset and they're going to have a long, difficult struggle with the disorder, but for other people it works. Brigitte will speak eventually about the good-news stories and what they look like.

Before you I've circulated a proposal that suggests a foresight pilot project, hence our partnerships with the academic health science centres. It extends existing clinics in early intervention and it's province-wide. The cost is \$4.8 million per year. In the staggering cost of health care, that is not a lot of money. That includes only the provision to provide the service and a public aware-



ness campaign. There's no statement in there of the savings to the system of youth who are saved.

Early intervention clinics save lives and they save money by ensuring that people with schizophrenia and other psychotic disorders do not become chronic, long-term mental health patients and instead grow up to lead productive and meaningful lives. The CMHA, Ontario division, is suggesting, in concert with our partners, that early intervention in psychosis not only works but it's cost-effective. It's a good-news story for Ontario's youth.

I'd like to turn it over to Janice. I believe you're going to speak a little bit about the Schizophrenia Society, and then Brigitte.

**Ms Wiggins:** Yes. Thank you very much, Barbara. As I stated from the onset, we appreciate the opportunity to present in partnership this particular proposal with the CMHA and other partners. This really represents a first for our organization.

As many of you are aware, we're a family-based organization and we provide public education and awareness. We seek better laws and policies for the mentally ill and we represent people with the illness as well as people whose family has been affected. You can be a family member or a friend of a person with schizophrenia. As you know, it's the most serious of all psychotic illnesses.

While I'm here today to support the early intervention program which Barbara has introduced for you and Brigitte will provide more detail upon, I also would like to respectfully remind all the members that there are many other services and fundamental and basic resources that are needed in the mental health system for the seriously mentally ill. However, because we have very limited time today, I'd like to turn the presentation over. Brigitte Hough, by way of introduction, is one of our fabulous volunteer family members who donates probably the equivalent of a workweek and then some to the organization and to the cause of helping those people who are seriously mentally ill and their families. Brigitte, please take over.

**Ms Hough:** Thank you, Janice. I'm one of two representatives of the Schizophrenia Society of Ontario on the Ontario Working Group on Early Intervention in Psychosis. The other, who is not able to be with us, is Ian Chovil, who is a man in his forties who has schizophrenia. Ian is also on the Schizophrenia Society's board of directors and does educational work in the Guelph community around mental illness.

I'd like to quote from Ian's presentation last June to the schizophrenia conference in Kingston. He told us his story:

"I had an insidious onset, which is a gradual increase in symptoms over the course of several years. By the time it was obvious I needed help there was no one who could help me because I had lost all my human relationships. I had been kicked out of university, I had alienated my parents, I had lost all my friends.

"I was psychotic for 10 years. I was homeless, I attempted suicide and I spent a couple of nights in jail

before I was court-ordered to see a psychiatrist as a condition of my probation." Ian says: "I often wonder why I had to lose 10 years' of my life to an untreated psychosis. In fact I wonder, why didn't I receive help in the first five years, as I became psychotic?"

**1510**

Now this is me speaking. Studies show that the average young person who is experiencing psychosis has had one to two years of symptoms before treatment is initiated. If this were cancer or heart disease, our society would not tolerate such an appalling delay in treatment. As in cancer and heart disease, the benefits of the earliest possible treatment are proving to be a shorter and more complete recovery.

So today we know that there are still unacceptable delays in treatment, but the family usually knows that something is wrong. But, largely through ignorance, they don't recognize what it is. So the public, particularly those who are in daily contact with young people in the vulnerable age range—and we're talking adolescents and young adults—need intensive education about the early signs and symptoms of psychosis. Then they can make sure that these young people get prompt, specialized and supportive assessments, treatment, rehabilitation and follow-up.

Early intervention in psychosis is not an experimental treatment. Similar strategies have been in place for some time in other jurisdictions, notably in several provinces, Australia, the United Kingdom and some of the Scandinavian countries. In our own province, there are already two pilot early intervention programs, with two more in the process of coming on-line. The time has come to strengthen these pilot programs and plan to provide the whole population of Ontario with access to the leading-edge treatment for psychosis.

I'm going to end with another quote. This is from a mother whose daughter, now 20 years old, received treatment and support from the early intervention program in London, Ontario, one of our partners. She says, "I am pleased that after almost four years, Tara remains healthy as a result of a new approach to the treatment of schizophrenia. My daughter has avoided any relapse of her illness and she looks forward to a promising future. Early identification and treatment has greatly influenced the outcome of my daughter's health, and I'm grateful for the new thinking which has helped us avoid the full burden of a serious mental illness."

Ladies and gentlemen, the promise of early intervention in psychosis is that some young people, instead of being discharged to a lifetime care of caseworkers, ACT teams and social services, are returning to school, are completing their education, are entering the workforce and becoming contributing members of society. Surely that's what this government wants.

**Dr Everett:** That concludes the more formal portion of our presentation. I anticipated questions. We brought John along, not as window dressing, but because he has been the chair of the work group right from the outset. Should you have specific questions about early inter-



vention, he can help you with that, while Brigitte and Janice can talk about the family perspective and I can pitch in on community mental health in general.

**The Chair:** We have approximately three minutes per caucus. I'll start with the official opposition.

**Mrs Papatello:** It was interesting that the government decided on a tack of early identification in terms of needs for children in general and in particular with the children's mental health agencies that are spread out across Ontario and in total have a budget that equals less than Toronto Sick Kids Hospital, considering the many needs across the province for those services. I'm assuming that your organization works with these same individuals who would be identified as needing intervention. I often thought how cruel it was to have young kids identified as needing intervention, and then the agencies are powerless to actually intervene, because they don't have the funding available. Over time, their budgets have not grown or kept pace with the needs of these children to have an intervention service.

In my community and in many across Ontario, we're seeing the waiting lists growing longer and longer for service. In some cases, the statistics are fooling us, because the first intervention will be considered a phone call. So that essentially gets them off the waiting list, because there's been an intervention of a telephone call, and that puts them off to some other list. Do you have any comments about this?

**Dr Everett:** I think I could pitch in there. This particular project is the adult mental health system reaching down to younger people. You know, there's a substantial lack of interface between the adult system and the child mental health area. Because we can work with teens here, we get into what's called transitional-age youth and we have a responsibility toward transitional-age youth. But everything that you've said we witness and understand because we are responsible for those children when they become adults.

**Mrs Papatello:** In fact, your numbers are growing and the severity of the conditions that you're seeing is growing, and that's because we've failed so miserably at a very young age for these kids. In light of having had the first children's ministry, which the government vaunted and which has now disappeared—I think under the carpet of another ministry since that time—really we've seen nothing change on the front line other than a shifting of statistics into different places. Kids are still very much in need, and frankly it's a cruelty to identify more kids at risk and then not be able to provide the intervention that's required for these children.

**Ms Hough:** The clinical interventions that we are talking about here are very clinical interventions; we're not talking just making clinicals.

**Dr Everett:** No, they're specific and very active outreach.

**Mrs Papatello:** In fact, for some of the very serious cases there's initial significant expensive intervention but, as you're pointing out in your submission, over the long term the government would be saving millions and

millions of dollars by intervening at this pace at an early age.

**Dr Everett:** Yes.

**Mrs Papatello:** Thanks for coming today.

**The Vice-Chair (Mr Doug Galt):** We'll move on to the third party.

**Mr Christopherson:** Thank you for your presentation. I believe you said there was a dollar figure of \$47 million.

**Dr Everett:** It's \$4.8 million.

**Mr Christopherson:** Pardon me, \$4.8 million.

**Dr Everett:** We'll take \$47 million.

**Mr Christopherson:** I'm sure you would. I know what it was; \$47 million was what the builders wanted. They did, just a few minutes ago. That was their figure. You only want a percentage of that.

Given the dollars involved here and the number of people who are affected, are you able to put a figure to the actual dollars that can be saved as a comparator?

**Dr Everett:** I looked at those. As you know, we have a knowledge centre at CMHA, and we have general figures for children's unidentified mental health problems and they are in the billions of dollars, and they're not broken down specifically into psychotic disorders. But you certainly can imagine the burden on the system of an unidentified psychotic disorder of a teen in trouble with the law who perhaps is apprehended and put into the youth correctional system and ends up in the psychiatric system, who has caseworkers and ACT teams attached to them, who has to be in subsidized housing for the rest of their life and on social assistance.

**Mr Christopherson:** Also, as a former Minister of Correctional Services, we all know the percentage of people in our jails who have a history of mental illness.

This is one of the key things. I've got to tell you, my experience is that we get a whole lot of the financial folks roll in here and they make the arguments about what's going to happen five, 10, 15, 20 years out and this government listens. We get a lot of social or health groups, community groups, environmental groups for that matter too, that will come in and make the same argument and it just lies flat. It doesn't register.

I want to suggest that somehow collectively we've got to find a way to show—and maybe it means a different way of showing financial accounting, where we actually build in—and it was suggested in the past and governments have been afraid to do it, but we've got to look at things differently. If you make the investment now, then you actually build in X dollars of reduction, conservatively—small-c conservatively. But build that right in so that people can see that it does actually equate to less cost in the future, because unfortunately, to make the case on the heartstrings alone doesn't always do it, certainly not with this government. It's got to be boiled down to its lowest common denominator, which is dollars.

I want to tell you that when groups come in—the Ontario Chamber of Commerce came in a little while ago and the Greater Toronto Home Builders' Association—they talk about certain tax cuts or certain reductions in

the debt that they'd like to see; the chamber wanted an acceleration. Those are expenditures. Some folks have a problem hearing that or accepting that, but the reality is that is spending money. You've just decided to spend it in a way that's different than actually going out and buying something, if you will. But the government is still spending money. In this case you're talking about \$4.8 million. For instance, \$4.8 million would help roughly how many young people over a given period of time?

1520

**Mr Trainor:** I think each of the clinical sites that we're working with that would be involved in the four pilots across the province would be dealing with between 200 and 300 people a year. There are four of them, so that's the number of people who would be helped each year.

**Mr Christopherson:** Sorry, what was the figure per?

**Mr Trainor:** Two hundred to 300 per site per year.

**Mrs Molinari:** Thank you very much for your presentation. It's certainly a very sensitive topic. I represent the riding of Thornhill. I had a family actually come and see me when the introduction of Brian's Law was in the picture, and we were certainly encouraged to pursue that and continue that. I heard some very troubling stories of what families have gone through over the years because of such a sensitive area when we're dealing with adults and they're at an age where it's difficult for families and parents to help those who don't realize that they need the help at that point in time. Certainly having heard their stories gave me a greater sensitivity to the need for this type of service.

I note that in your presentation—and I thank you for breaking it down in various areas and actually coming up with dollar figures and what it would cost to provide the type of early intervention services that you're recommending here today. In the last page you also indicated that there have been some funds that have been awarded since the presentation of this. Could you expand a little bit on that and what the funds are for and what the presentation for your request was and how it was granted?

**Mr Trainor:** I can give you a little bit of information, a little bit of background. When we began the working group, which includes the organizations represented here, plus the clinical sites that have been mentioned from the health sciences centres, we did from the beginning involve staff from the Ministry of Health and Long-Term Care, from their mental health policy group, and made sure that they were aware of this. We have worked closely with them for the past year.

Two kinds of support are in the works. One is a study between the four sites—Ottawa, Toronto, Hamilton and London—that would look in more detail at how these programs work, what kinds of outcomes they're generating and what are the best ways to go about providing them. The second thing that has been announced, and that was just a couple of weeks ago, was from the Ministry of Health and Long-Term Care's Toronto region, and that was funding for an early intervention mobile treatment

team for the Centre for Addiction and Mental Health. The funding amount is \$855,000. That team is already in fact being developed, now that the news has been received from the ministry. Those are certainly steps in the right direction. Our overall strategy, which includes budgets from the four clinical sites, as well as the family groups and the CMHA and the working group itself, has also been developed and submitted to the Ministry of Health and Long-Term Care.

**Mrs Molinari:** This present funding that you've already received, is that going to serve—you've given us a number of people who would be served per year with the amount that you're asking here. You said between 200 and 300. That initial funding, what specifically will that do for the end client?

**Mr Trainor:** The funding that has been awarded to the Centre for Addiction and Mental Health is for a mobile early intervention treatment team. This is a psychiatric treatment team that involves a group of disciplines: nursing, social work, occupational therapy and a psychiatrist. The team will be able to go on a rapid-response basis—it could be to a high school, a family practitioner's office, it could be an emergency room where somebody has turned up who is showing the early symptoms of psychosis—and provide whatever treatment is needed to get them the help that they need. It's estimated that team will deal with about 250 patients per year and will treat them for a period of time. It will not keep them in the long term, but perhaps three to six months until the early intervention is completed and they can be turned over to other components of the mental health system, or if they can't be, they will continue to be supported by that team.

**The Vice-Chair:** Thank you for your presentation. It's much appreciated.

#### CHILD POVERTY ACTION GROUP

**The Vice-Chair:** Our next delegation is the Child Poverty Action Group. Good afternoon. Make yourself comfortable. Welcome. We look forward to your presentation. You have a half-hour for presentation and for questions and answers, questions and answers being divided equally by the three parties.

**Mr Colin Hughes:** Thank you very much. My name is Colin Hughes. I am with the Child Poverty Action Group. With me is Dr Brigitte Kitchen, who is a founding member of the Child Poverty Action Group.

What we would like to do is walk through the brief we've given you. I should note that the Child Poverty Action Group has been in existence for about 16 years now. In 1985 it was very difficult to get people to register that children were actually in poverty. Sixteen years later, it seems that we've got people registering, they do understand, that children are in poverty, but what we're not getting is action. I think what we'd really like to do is try to promote what kind of action we can start to see from Ontario once again. So we would like to quickly



walk through this brief and then we really look forward to some discussion.

We'll start with the fact that Ontario does in fact have a huge child poverty problem. What we have seen over the last two years, and one would say it's about time, is a decline in the number of children who are poor. What is really quite astonishing, though, is that given the kind of economic growth we have, given the kind of prosperity we've had, given the decline we've seen in things like the unemployment rate, the number of people on welfare, is that the decline in the number of poor children has been really quite marginal in comparison to that. We have about a half-million poor children in Ontario, about 470,000, I believe, so that makes about one child in five in Ontario poor.

We have a few legacies that I don't think we should be very proud of. Ontario since 1996 has been one of only two provinces, the other province being Newfoundland, that has actually seen the depth of poverty grow among families. The average poor family is somewhere in the area of \$9,800 below the actual poverty line. We have a big debate about the poverty line; it's an artificial debate. Poor people live thousands and thousands of dollars, on average, below the poverty line.

Ontario has also seen significant growth over the past decade, since 1989, in the number of children who are poor. We've seen a 91% growth in the number of poor kids in this province, compared to a 28% growth in the number of poor kids in the rest of Canada.

The message we've been hearing from the government of Ontario has consistently been one of placing a fair amount of stock on economic growth and on tax cuts as a way of getting family income security. What these numbers, we think, show is that that is a fairly limited strategy, that that strategy isn't really going to work. Clearly from the numbers, the amount of economic growth is showing that we're not going to grow our way out of the problem.

Tax cuts, as we see in our brief, are problematic. Mostly across-the-board tax cuts really do result in an unequal distribution of the benefits. Low-income families get very little, if anything; upper-income groups and families get the lion's share. They are also quite expensive, which means they use up any kind of public revenues that we might have for alternative policy directions in terms of giving away those revenues in the form of tax cuts.

What we're suggesting is a more balanced approach, that we put the brakes on the across-the-board tax cuts and that we look at investing in other areas to promote the well-being of families. We would like to highlight quickly some of the areas that we think some action should occur on.

1530

The first one is around the national child benefit supplement. Federal child benefits come in a base benefit and a supplement for lower-income families. That supplement is clawed back from social assistance, and the idea of the clawback is to promote labour market

attachment. In other words, if you're working, you get to keep the full supplement; if you end up on social assistance, the value of that supplement is taken away from you.

We think this is really problematic for two reasons. The argument that it promotes attachment to the labour market is weak because it is taken away from recipients who aren't expected to work at all. These recipients include parents who have very young preschool children. Under Ontario Works they are not expected to work, and yet their money is clawed back. It includes disabled parents, who are not expected to work, yet the money is again clawed back. It also includes community foster children. These are children who are taken into the homes of relatives or neighbours because their parents are unable to look after them for a period of time. We certainly don't expect them to work; it's clawed back from them. So we have a huge inequity just in this whole idea of whom we consider employable and why the benefit is taken away from them.

The second problem is that it doesn't really address the big reasons that families have trouble leaving welfare, and these are outlined in our brief. They include growing in-work poverty and the whole problem of welfare poverty, which in itself is a huge barrier. You can't find work if you can't have a secure home, you can't find work if you don't have a telephone, if you have shabby clothes, if you have ill health, because you're so deeply poor that you can't afford those things. It's self-defeating.

Our recommendation is to really do what was intended with the federal benefit. The federal benefit was intended to fight child poverty. It does represent some progress in that area. A lot more could be done federally. We think the province should allow recipients to keep the full value of the benefit and not claw it back from their welfare assistance.

There is a reinvestment. This is the money that is taken from welfare and gives provincial savings, and that does get plowed into a child care supplement. There are some good things and some bad things about the supplement, things we like and things we don't like. The obvious one is that you really need to use revenue other than the clawback for this supplement. This supplement really shouldn't be funded by taking money from one group of poor children, welfare poor children, and giving it to another group of poor children.

The other difficulty we have with it is that it's not really child care. It is called a child care supplement. That's great. At least it acknowledges that child care is an issue for families, but it really doesn't address that issue. The supplement is not tied to any kind of child care expense at all. You can receive that supplement and not have any child care expenses. The amount of the supplement is not enough to pay for very much child care, so it's not going to go very far. Perhaps the biggest problem is that you're not going to build a system of quality child care through supplements. It's just not going



to happen. That's where you have to start teasing out these policies.

If you look at what's good about this particular program—and we were pleased to see that it has been bumped up a couple of hundred dollars for single parents in last year's budget—is that basically it's a work income supplement. We think, and we are recommending, that you should really relabel it as a work income supplement and that you should pursue child care through other means, as a separate policy option, so that you can be sure to build in the quality dimensions that are very important, and you can't do that through supplements; finally, that you of course fund it from other provincial sources of revenue. Again, taking it from one poor group and giving it to another poor group is just unfair and unreasonable.

We would also like you to do something about minimum wages in this budget. It is very unfair, in our view, to expect people to have a work ethic and then to pay them increasingly less every year for their work effort. This is just utterly indefensible. That minimum wage has been frozen since 1995. We calculate, if you take a look at what's happened in terms of inflation, that a working parent putting in 40 hours a week, 52 weeks a year, has lost about \$1,350 in purchasing power. These are the poorest working people, and it is just unconscionable that that wage remains frozen. So we're really very much urging that you bump that minimum wage up to \$7.50 an hour to compensate for five years of inflation. It is really only fair and it won't cost the province a single nickel to do that.

We're also very concerned about the proposed changes to the labour code that may lead to families having to work 60 hours a week or having to take broken holidays. We would really encourage you to throw that out. We believe that is anti-family and that, instead, you should be looking at ways that the labour code can actually support families in the labour market.

In the area of childcare, we believe you have to look at both the supply and quality of care, that these both go hand in hand, and that you should be pursuing two goals: one goal should be to help parents work and the other should be to give children a good start in life. Ontario really has gone from being a leader to a laggard in childcare. The official policy of the province of Ontario for, gosh, I don't know how long, has been to develop childcare as a public service. That no longer seems to be the case. There has been a \$70-million cut to regulated childcare since 1995, and we really need to be turning this around. Ontario is heading in one direction, where it used to lead. The rest of Canada, British Columbia, Quebec and, more recently, Manitoba are clearly moving in the direction of developing decent childcare systems. Ontario should do that.

There is a real incentive to do that as well. The federal government is going to be investing \$844 million into prenatal childcare and parent supports. We really want to see the province come up with the \$70 million that has

been cut and to develop a comprehensive package to put some particular emphasis on moving on childcare.

Briefly, with the early years challenge fund, we're very concerned about what would appear to be the development of a new level of bureaucracy that is very partisan, that is connected to the Premier's office, and we would very much urge you to look at the existing and non-partisan mechanisms for providing funding to develop early years programs outside of what currently is happening.

Unemployment insurance isn't an area of provincial jurisdiction, but it should be an area of provincial concern. It would appear that we may be heading toward a recession. Ontario would be very, very wise to take a look at what's happening to the employment insurance fund. Coverage in this province for unemployed workers has dropped down to about one unemployed worker in four. It's been estimated that Ontario is losing \$2.25 billion per year because of changes to employment insurance coverage.

Employment insurance really should be the first line of defence for families if they lose work. If that's not going to happen, you can bet what will happen is that they will land on welfare, which is a poorer program and is, of course, going to cost the province considerably. So we would really urge that the province press for fuller coverage and that working families get, in fact, what they're paying for.

In terms of welfare, there are basically two approaches to welfare reform. One is the welfare approach, which is the approach which has been adopted by this province. It tends to emphasize cutting benefits; it emphasizes making life hard for recipients on welfare and getting the quickest route as possible into any job. The second approach tends to emphasize more of a reasonable minimum income, one that is enough to reasonably pay for housing and for other basic needs, and makes investments in people and in the labour market. The Child Poverty Action Group is basically just opposed to welfare. We believe it's degrading, we believe that it's ineffective and that basically what it results in is a revolving door into deeper and deeper poverty between welfare and work.

1540

The more specific point we would make in our brief is that the cuts really are hurting. They are hurting bad. The 22% cut to welfare—personally, I do not understand how anyone can live with this on their conscience, but that has been terribly, terribly hard on families. That cut is now a 28% cut when you factor in inflation. The cost of everything everywhere goes up. The fact that there has been no increase to the benefits also affects the disabled, even though their benefits were not slashed by 22%. Their rents go up, their food goes up, their clothing goes up, everything they need goes up, but those rates have been frozen.

We're very much opposed to welfare. We do feel it's degrading. I think the Minister of Community and Social Services's announcement on the whole drug testing—

reaching into a box of syringes, saying that recipients were shooting their cheques up their arms—is just a characteristic of the approach to welfare that is beating up some of the poorest people. And those people have kids; 40% of those families, those people on welfare, are kids. What message is this government sending to those children about their parents? We really have to take a look at what's going on. You're not going to get far beating people up. It's just not working. I don't care if the caseloads are going down. The caseloads are largely going down because of economic growth and because it's been made hard to get. That is not good enough. We really need to get away from this whole welfare business and begin to get away, for goodness sakes, from this welfare-bashing. It's shameful. We would really like to see the province in this budget restore the benefit levels at least to what they were in 1995.

We would like to see some discussion and some action taken on assured child support. We understand that arrears are being reported to the tune of about \$1.2 billion. What we're really urging is, yes, step up enforcement. People do have an obligation to pay child support and there has to be that enforcement, but you have to also start looking at making the system child-centred. That means that you make sure the child receives payments in a regular way at a pre-set minimum, and if the parent defaults or delays for one reason or another, the child still gets that support that they're entitled to. In other words, the state goes up to bat for the kid.

The whole area of housing: we have concerns about the impact of rent controls. There's a chart that shows what the impact has been in Toronto. When the controls were announced in 1998, you can see that when you take inflation out of the rental increases, the rents popped up considerably. This is a very disturbing thing, especially if this is a trend. So we're asking, where is the protection in the Tenant Protection Act? We really need to see some guts in that act and that act has to be revisited.

We also really need to see some action on affordable housing. We just simply can't go on as it is right now. We now have 6,200 children living in shelters in the capital of Ontario, in Toronto. This is just unconscionable. This is a 130% increase since 1988, and all the forecasts show that we're going to end up with even more kids growing up in shelters. Some of these families are living in shelters for up to a year. Can you imagine growing up in a shelter? This is absolutely shameful. The market is not going to do it. We really have to get into the whole area of building affordable housing, on the one hand, making sure there are protections for tenants, on the other hand, and then, of course, making sure people have the income to start with.

Our final point is around post-secondary education. The link between higher education and employment is absolutely irrefutable. We won't discuss that. I'm sure we all agree on that. We're very much concerned about the growth in tuition. There has been about a 150% increase in tuition in Ontario over the past decade, and the average student debt is now around \$25,000. We

really think that tuition has to start coming down overall because that is an access issue, and if you have people coming out of education with huge debts, it's really quite self-defeating. Either they won't pursue it or they're just going to be financially crippled by the time they get their college or university studies finished.

The other area that needs to be revisited is the whole grade 12 maximum in terms of access to any kind of education for social assistance recipients. The research is fairly clear that if social assistance recipients who qualify can pursue post-secondary education, they often end up earning enough not only to leave welfare altogether but to actually leave poverty. Even in Alberta, in their welfare reforms, they made provision for recipients, particularly for single parents, to have access to post-secondary education. So we would urge that you head in that direction.

I hope I haven't taken too much time. We've given you the shotgun effect in terms of a lot of different policy areas but we really think that a comprehensive approach is necessary. There are all kinds of opportunities here for Ontario. Some of these things don't cost Ontario a nickel; some things require adjustment but it's money well invested.

We welcome your questions.

**The Chair:** We have approximately three minutes per caucus. I'll start with the government side.

**Mrs Molinari:** Thank you very much for your presentation. It was certainly a very passionate presentation when we're talking about the welfare of our children and their future. It brings out a lot of passion within all of us. I think we all agree they are important to all of us and to our future. I think there are varying views on how we achieve the long-term benefits and effects that we want for our children, but you've made an excellent presentation with a number of recommendations. They are very succinct and comprehensive and to be included with all of the other presentations that are here. So I want to thank you, on behalf of this side of the table, for the very passionate presentation you've made today.

**The Chair:** Do you have any questions? If not, I'll go to the official opposition.

**Mr Phillips:** I appreciate your thoughtful presentation and particularly the work that you do. I'd like to comment on your comment, referring to the Minister of Community and Social Services and the syringes. I've said this publicly in the House twice now: I find what the minister does reprehensible. He puts up posters saying, "If you suspect anyone of welfare fraud, phone this number." The syringes play to fears that people have and misconceptions about people on social assistance. He will wave around a credit card that he found on one person on social assistance to leave the impression about many on it. I've said it twice now; it's been one of the more distasteful things that I've found here in the Legislature.

That is the minister who in my opinion should be defending our most vulnerable, not attacking them. The public I think want to spend their taxpayer dollars wisely,



and doing that does more damage to the collective will all of us have had in this province to make sure that we look after each other in tough times. All of us will go through a difficult patch in our lives—all of us—when we need a little bit of a helping hand. I found attacking the most vulnerable by the minister who should be defending them very distasteful and it undermines the public's will to support those programs. I don't mind saying that without him here because I said it to his face twice in the Legislature.

I appreciate your recommendations. My comment is on your opening statement. One of the ways the government, in my opinion, dismisses poverty among young people is to say, "That's overstated." They are using one measurement and others use another measurement. When you dismiss it as not a problem, then the public say, "It must not be a problem that we need to tackle." Can you help humanize the issue of poverty among young people and help us to understand better the level of poverty among young people and what it means in real terms? As I say, that's the starting point, I think, in your brief.

1550

**Dr Brigitte Kitchen:** It's interesting that you tackle poverty from this perspective, because in Europe they have given up talking about poverty. What they are talking about is social exclusion. They are looking at those factors that make it difficult or impossible for people to have and share in what the rest of society takes as normal and acceptable standards of living. The European Community now bases its whole development of social policy on achieving social inclusion. For instance, if on average children in the European Community achieve an education of 17 years, it is considered as socially exclusionary if you leave school at 14 or 15. You are supposed to come up to at least the average.

You can argue over and over again, as we have done in this country, how much a family needs, how much an individual needs. I don't think you have to be an Einstein if you think about \$520 for an individual on social assistance in the city of Toronto. I just taught a class on social administration and I asked my students, "Go out and do a budgetary analysis." They came to the conclusion that with that kind of money, either you are supposed to learn how to cheat or you have to go and steal. In either case, it's not very social behaviour that is being encouraged by those kinds of support levels.

What we have to do is talk in realistic terms about what people need. People do not compare themselves with people in poverty in some Third World country; they compare themselves with what people have here. Colin talked so movingly about the housing problem. Wouldn't we all agree that every Canadian citizen and resident has a right to housing? We have 6,200 children living in shelters in Ontario.

**Mr Hughes:** In Toronto.

**Dr Kitchen:** In Toronto. As Colin said, some of them stay longer than a year when all the child development literature says that what children need is consistency and stability. Some of these children move in and out of

shelters—another way of upsetting them in their developmental opportunities. That is just one kind of policy. It's short-sighted, because instead of preventing problems we are creating problems.

**Mr Christopherson:** Thank you for your presentation. I won't name names, but I've got to say that the response from the government side was pretty pathetic, to the extent that all we got was a nice little pat on the head for you for coming in. They didn't even use up all their time, no engagement of the discussions at all, just a hope that you'll go away because you're the problem. All the things you present here today, and a loudmouth like me, are a problem, because we get in the way of what they want to do. It's just so infuriating. I look at all the issues you've listed here, and every one of them we've taken to task on the floor of the Legislature time and time again and none of it seems to get through. All we hear about is that more tax cuts are going to solve all the problems of the world. It's so sad.

My question to you would be this, and I'm sure it's a difficult one, but if the recession continues—we always said this is where you will see things. You can paper things over when you've got money because, as you pointed out, there's growth. It does create some jobs. It hides things. When that disappears, as it does in the cyclical nature of things, this is when it gets exposed. If we continue like this for any length of time, out of all the key areas you identified this morning, what are the ones you think we should watch for in terms of there being the most notable deterioration? What should we who care a lot about these sorts of things be watching if the economy continues to slow down in terms of the first signs of further deterioration, almost an accelerated deterioration, because of what's happening and what's being exposed?

**Dr Kitchen:** I think Colin addressed that, because the first thing that's going to happen is that the welfare caseload will start increasing.

**Mr Christopherson:** Which has started already.

**Dr Kitchen:** Yes.

**Mr Christopherson:** We saw January go up by 4,500.

**Dr Kitchen:** The second thing that's going to happen is we will see more and more homelessness. As far as from where I sit as a professor of social work at York University, that's what my students bring back, the increasing risk of homelessness of families. You talk about the cracks only appearing in recession. I think the cracks become deeper in the recession, but we have had now a number of good years of economic growth and the poverty rate of children in the province has not come down substantially. It has come down slightly, but what we are seeing appearing is a deeply ingrained problem of a low-wage sector where people who have children, ie, parents, find it impossible to get out and give their children the kind of life chances that are needed for the social inclusion I talked about that has become the key policy issue in Europe.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.



## COUNCIL OF ONTARIO CONSTRUCTION ASSOCIATIONS

**The Chair:** Our next presenters will be representatives from the Council of Ontario Construction Associations. Could you please come forward and state your name for the record.

**Dr David Surplis:** It's good to see all of you again. I'm David Surplis, president of the Council of Ontario Construction Associations, and with me is Gary Robertson, a new face to you. He has joined COCA from industry. He worked for many large construction firms in the last few years, around the Hamilton area in particular. As I refer to him, he's the real person. He can tell you about the industry first, as of course can Mrs Papatello.

At any rate, COCA is delighted to be here for I don't know how many years it is now. It seems we could just carry on from one year with the same players really, come to think of it. We represent about 40 associations from pole to pole in Ontario, the big ones, the small ones, everything in between. We do not do residential construction. We just remind you of that again. Fortunately, you've had the home builders, or at least Metro home builders, here today, so you'll know that. We do everything else, and that's important to know.

We're the second-largest industry in the province and we're hopeful of impressing that fact on the Honourable Bob Runciman as he settles into the chair of the Ministry of Economic Development and Trade, because we think frankly that construction per se, as the second-largest industry, has been ignored by all governments really at Queen's Park and deserves to play a bigger role here.

In terms of the economy and the budget, which of course we're here for and you're here for, as you know, after 1990, the recession and so on, we dropped down to about \$6.6 billion from around \$12 billion by the way, and we've recovered back to about \$9.2 billion in 1999, a little more than that in 2000. But it has been static. As you can see—I think it's about page 8; it would be somewhere in there anyway, the last page perhaps—the value of new construction is flatlined for industrial/commercial/institutional. That's actually astounding when you notice the growth, the strength of Ontario's economy and so on. When you see that non-residential construction is flatlined, you say, "What's going on here?" That's what we ask all the time. What is going on here?

One of the things that's going on here, and we do want to impress it on you: severe shortages of skilled labour in Ontario—we were just at an outlook conference on January 31—30,000 to 40,000 workers short of the needs over the next four years here in Ontario. The irony is, as I point out in our brief here, most of our members, the 7,000 to 10,000 companies, are busy, margins are improving, but they're not adding new business because they can't find the workers to do it.

So you find anomalies. There was a cancer centre outside of Toronto that had to be tendered out. Five general contractors responded to it. One withdrew immediately, two said they were courtesy bids only, and so there

were only two real bids on the work for the regional cancer centre. That's astounding to us, but a great deal of it has to do with the shortage of labour. You just can't get it. As we point out on page 2, the construction labour force has shrunk drastically in Ontario. We're only about 5% of the whole labour force in Ontario now. We used to be up around 6.6%, which is pretty high. We were up around almost half a million at the end of the 1980s, early 1990s, and we're just over 300,000 today.

### 1600

We have always made a plea, and we will make it again, for champions at the cabinet table. There is no minister responsible for all aspects of construction; there's a minister who has a bit of this and a bit of that. We have to deal with about 14 ministries in terms of getting the construction industry's interests looked after here at Queen's Park. That's not to mention, of course, all the agencies, boards and commissions. But there's no focus, and we would desperately like to have that. As I say, we're going to try and get the Honourable Bob Runciman to play that role.

We've got to say again that we're delighted with the progress made in reducing the deficit and balancing the budget. We're delighted with the announcements of hospital expansion, renovation, long-term-care beds, expansion renovations at the colleges and universities, but the shortages of skilled labour are impinging on those very things. I've mentioned this to the ministers, the Minister of Health and Long-Term Care and so on. If you can't get the workers, you're not going to get all these projects done or you're not going to get them done on time or you're not going to get them done on budget. There are just no two ways about it. There aren't enough workers to put, for instance, 2,000 long-term-care beds in place by 2004 without extra cost. It's just that simple.

Our second message—and I know you've heard it before; we always say it—is about maintenance and expansion of the infrastructure system in Ontario, specifically sewers and water mains, waste water and roads. Again we say—and Mr Christopherson of course agreed with this; I think all of you did last year—because in the municipalities the infrastructure is underground it tends to be forgotten: out of sight, out of mind. It is very foolish not to pay attention to those infrastructure systems, because they do break down. It's so much cheaper to maintain them than to replace them, and we'd just like to see some activity along those lines.

As we say on page 4 here, we don't see any reason at all why the principle of full cost recovery should not be implemented with regard to water systems in Ontario. The Ontario Sewer and Watermain Construction Association, one of the members of COCA, has pointed out for years that the clean water delivery to most homes in most municipalities is subsidized to the tune of about \$500 a home. We just don't understand that. We pay full freight for everything else: hydro, heating oil, telephone cables and so on. I know, it looks like a tax increase and so on, but we think it's an investment to keep the infrastructure

in good shape, to improve it and, with any luck at all, to expand it.

The same goes for the roads, of course. As I point out, we don't want to get into a Mayor Lastman-Minister Stockwell sort of debate on this, but the fact is that roads and bridges under municipal care appear to be deteriorating or are not in as good shape as they could be. That's just what our members tell us over and over again. As Ms Papatello would certainly know, we need some help with the roads for international trade at the gateways, the Windsors, the Eries, the Niagaras and so on. We need help with that and we need to be partnering with the federal government.

We're really pleased to see the work of the Red Tape Commission over the last five or six years. They have reduced a number of the burdens that we bore as contractors. Reducing the deficit and the tax burden all help, but one of the things we can't quite understand is the inattention to the problem of revenue leakage at the Ministry of Finance. As we've pointed out to this committee for over five years, the growing practice of replacing employees with independent contractors or independent operators, whatever you want to call them, not only reduces costs for employers, which of course everyone wants to do, but it creates huge shortfalls in provincial revenues, in our estimation, in our research.

Take a construction site with 20 workers, for instance. The average wage for them over the period of a year would be about \$50,000 each, or \$1 million. The trigger for employers' health tax is a payroll of \$400,000. If those 20 workers on the construction site are all independent operators and billing, there is no payroll, there are no employees, hence there is no trigger and not a cent is paid to the employer health tax, not a cent. So we can't figure that out.

Here's another astounding figure that we've got for you on page 5. Out of the Statistics Canada data they show a construction workforce in Ontario of about 300,000, with 110,000 of those as self-employed. That doesn't make any sense. It doesn't tell you that there are 110,000 independent operators out there. What it tells you is there are 110,000 people who are paid that way. That phenomenon has enormous ramifications for, as we say, the employers' health tax and other taxes—we'll get to that in a minute—but certainly for the Workplace Safety and Insurance Board. If they're not workers they're not covered; there's nobody paying premiums on their behalf. They're not covered. It doesn't make any sense.

Our research shows—and we're repeating ourselves but it's been confirmed now by WSIB themselves—that less than 50% of the construction workforce in Ontario is registered at the board. We don't think that's good for the workers, it's certainly not good for the WSIB and it really isn't good for our members who are paying WSIB because as the shortfalls increase in revenue to the board, what do they do? They up the rates. And what do our people do? For the unionized ones, of course, there's no way they can escape or dodge. For the rest of them, many

go underground, more and more every year. It's driving us nuts, and we've got a whole plan with the WSIB to address it, but it looks like it's going to take a number of years to get it going.

Our bottom-line projection for the Ministry of Finance is that with the revenue not being declared, with the payrolls not being declared—we don't think that the independent operators are declaring all of their income for tax purposes—when you total it up, we think that the Ministry of Finance here is losing between half a billion and \$1.5 billion a year. That's potential. It bears serious examination. That is what we would like to see, some more attention paid to the revenue leakage.

Interestingly, one of the things we're working on at WSIB, the federal legislation was changed to allow the Canada Customs and Revenue Agency to talk directly with workers' compensation boards and they're doing that now. You need a memorandum of understanding, but once they've got it in place they'll be able to check CCRA records and see which companies are making deductions for employee costs and then run it against who is or is not registered at the board and go after them.

I know I'm repeating what I said last year, but we think it bears repeating. There isn't a single agency in Ontario, not any part of government, the Workplace Safety and Insurance Board, the labour relations board, anything, that can tell us how many construction companies there are in Ontario. There is no place that can tell you with any degree of authority how many construction workers there are in Ontario. They are all guesses. They're reasonably good guesses, but there isn't a single agency that registers companies or workers, and we would like to see that.

A couple of things—and I want to wrap up because we do enjoy the give and take of the questions and answers better. Perhaps you do too.

#### 1610

But we do want to say some of the initiatives and brag. The building regulatory reform advisory group report, of which we are a part of course, has a number of things that will be very helpful to the industry, some that may be detrimental. We don't see, for the life of us, why superintendents and ICI construction have anything to do with the code because they follow the drawings and specifications that have already been stamped by engineers and architects at two levels, the ones who've initialled them and the municipalities that have approved them. It doesn't make any sense. We don't want the red tape and costs of running 9,000 of our superintendents through some kind of training course. But the Red Tape Commission is well aware of that.

We also want to mention that we were part of the brownfields redevelopment advisory group. I think there's quite a lot that's going to come out of that to help. If you look around any of your communities, the brownfields are everywhere. The impediments to smartening up those sites, providing work, providing a tax base, providing all kinds of things is a real challenge and we



commend it to everybody. We hope that out of the brownfields we can get there.

Finally, of course, we'll leave you with our usual offer and that is, we have tens and hundreds of highly qualified, industrious people with expertise in the construction industry and all kinds of other things at your beck and call. If you ever want any advice on anything, please just give us a call, whether you want us individually or as groups. We want to help, because frankly, as I said, the conclusion is that when Ontario's booming, the construction industry is booming and vice versa. When we're booming, so is Ontario.

That's about it. If you have any questions, Gary and I would certainly be happy to get going here.

**The Chair:** Thank you very much. We have approximately four minutes per caucus and I'll start with the official opposition. Mr Kwinter.

**Mr Kwinter:** As always, I enjoy your presentations and the important role you play in our economy. I've been here long enough to have heard you go through a whole cycle where you were having problems getting work and you wanted the government to expand and accelerate its capital works projects or infrastructure support because you were losing employees because they didn't have any work. Now you tell us that it's just the opposite, that you've got a shortage of labour and that your apprenticeship program is in decline.

I think one of the problems is that in today's economy, and the so-called new economy, there seems to be a premium on young people getting into the new electronic industries and it's very difficult to attract them to the kind of jobs you offer, even though they're excellent jobs.

**Dr Surplis:** High-paying, yes.

**Mr Kwinter:** So I think there's got to be an educational program to let people know that the old economy, and we've heard it earlier today, is as important as the new economy. But I think you have that challenge, because when you talk to an average student who's in school and you ask them, "What do you want to be?" I would say that very, very few of them will say, "I want to be a construction worker when I graduate."

**Dr Surplis:** That's right.

**Mr Kwinter:** I think the reason for that is because—and I don't know the answer as to why that has happened—someone who is in construction is seen to be not reaching their potential as if they were in the professions or, as I say, into this new economy.

Are you, as an industry, doing anything to address that problem?

**Dr Surplis:** We surely are. I'll let Gary answer in a minute, but briefly, we have initiated a major initiative in the last month with the Ministry of Training, Colleges and Universities. The deputy and I are co-chairing a task force to address this very thing. We've brought together a coalition of the entire industry—architects, engineers, home builders, apartment builders, the UDI, labour—everybody's there. We recognize the problem and we're going to have a go at addressing it.

But you're absolutely correct. We emphasize careers in construction, as opposed to jobs. I had a friend who sold his electrical company last year. There were two reasons: one, he had a fortunately mild heart attack; secondly, because he writes the cheques, he was writing cheques for more money for his workers than he was able to get out of the company himself. He was writing cheques for \$110,000, \$120,000, \$130,000 a year. That's pretty darned fine income, but the young people don't know it. There's the dot-com thing. But Gary, you've had practical experience of that.

**Mr Gary Robertson:** I've sat in classrooms, I've sat in schools and made presentations. Sometimes you're viewed as coming from another planet. When you start talking about construction as a career, you lose them right away.

I think part of it, and we recognize it, is the visibility of the actual profession itself. Everybody has sort of a picture of what construction is, based on what they see. They don't really get to see behind the scenes and get involved in some of the things that take place and the reality out there. It's the same problem we face at Queen's Park. We're still not very visible within Queen's Park and yet, as David was saying, we're the second-largest industry in the province.

We suffer at the end to get people in, but we suffer from a bigger perspective too. There's not as great an appreciation of the role this industry plays in the continued economic growth of the province.

**The Chair:** You've got time for a quick question.

**Mr Phillips:** There are so many questions. The government just published its projections of population growth and it said the population will grow in the next 10 years by about 1.4 million in Ontario. Well over 80% of that growth will come through immigration. That's the huge part of our population growth.

Historically, that's been a source of some of the employees in your industry. If in fact that is going to be one of the major sources of labour force growth in the future—and by the way, Ontario's tended to cut back substantially on its settlement services, on the things where you can attract the people who want to come to Canada—have you been involved in discussions at all with the provincial government around where this is at least a part of the solution to your future problems?

**Dr Surplis:** We're starting down that road and perhaps you got into this with the home builders. They made an initiative with the federal government to try to relax some of the requirements and so on to allow skilled workers to come here.

The reality is apparently they don't want to come. They're doing so well in Europe now that they're not all that keen to come here, so we might not necessarily be getting the masons and the trowel people we used to get. But we are starting down that road.

**Mr Christopherson:** Thank you for your presentation again, David. It's good to see you. I think as the years go by we find that we have more and more in common than



just our first names, which probably gives both of us sleepless nights.

I particularly wanted to just touch on a couple of those actually, the whole issue of what you just spoke about with my colleagues from the Liberal Party, about the whole idea that there's a career there in construction and it is an honourable one, and if we have time, maybe come back to the idea of why the apprenticeship programs aren't as appealing as they once were.

Besides what you've already addressed, there's got to be more to that because there's got to some awareness by some young people that either technology's just not their interest per se or they just don't have the aptitude for it. Some are good at it, some aren't. Here's an opportunity to do something else that'll give you the ability to build a good life.

Infrastructure: yes, you and I have gone on and on about that and it still remains a problem. One of these days it's going to dawn on folks. There's some initiative going on now. The province, the feds and the municipalities are coming together, but again, it's not all going into infrastructure and it's not dealing with it fully.

I'm very impressed, and always was from the first time you enunciated the notion, that, look, there's the rules and you're here to represent those employers who are playing by the rules, and those that aren't are as much a concern for you as they are for anyone else, for whatever reason. If everybody took that approach, we'd probably have a lot more going in our favour in this province.

You also raised the issue of brownfields, a particular issue in Hamilton, of course, that's coming up. Councillor Andrea Horvath, for instance, takes the lead on that in our community and that's where I wanted to ask my question, on the issue of brownfields, because eventually we're going to have to deal with it. We're just scratching the surface. The Americans are ahead of us a bit on it. But as the government finally starts to talk about the issue of urban sprawl and that it can't go on, then brownfields start to go up the priority list.

Do you have any particular approaches to it or thoughts that aren't being looked at, that should be, or that you feel strongly about one way or another?

Again, at the end of the day, we're talking so much money. It's the whole business of musical chairs: the music stops and who's left holding the bag in terms of who has the property and has responsibility under law now to clean it up, which in many cases makes it useless as a development property because of the prohibitive costs of cleaning it up. It's a problem for all of us, regardless of where on the equation you think you sit. Your thoughts on that.

1620

**Mr Robertson:** You've brought up some of the projects that have taken place under the EPA program within the US, for instance. What has happened down there is that in some of the specific areas identified, such as Pittsburgh and Cleveland and some high-industry areas that have gone through a change in industry that

have left some of those properties undeveloped and just basically sitting not doing anything because nobody wants to pick up the tab for cleaning up, they've developed a tax relief program in the US whereby owners of that property are able to use the cost associated with that cleanup as an actual expense in the year that it is incurred, rather than capitalizing it for the future. So they actually can write it off their income in that particular year or, if it's a significant amount, they can count it as a loss for a period of time. They can apply it retroactively two years or for the next 20 years.

What that has done is inject development. You just have to go to downtown Hamilton and take a look at some of the prime property and prime residential property that is sitting there and is not being developed because nobody wants to clean it up.

**Mr Christopherson:** Exactly.

**Mr O'Toole:** Thank you very much for your presentation. I just want to thank I guess it was Mr Kwinter who remarked on the need to educate our young people to look at the high-value trades and skills. In that respect I think the government, with the Ontario youth apprenticeship program, is moving in the right direction and in fact increasing the number of spots and the funding. I think the expansion of the post-secondary model under the new cohort, double-cohort funding—hopefully the colleges will continue to provide that sort of—not particularly not academic because I don't mean to imply that, but more skill-based learning situations. So I compliment you on that.

I have a couple of questions but I just want to make a couple of statements. You said there is no one at the cabinet table, and I take some exception to that. The government has spent a fair amount of time examining the best methodology and perhaps the best delivery model. In the previous term, the 36th Parliament, the Ontario Jobs and Investment Board, as you know, produced a specific report dealing with much of that hard and soft infrastructure. The Road Map to Prosperity document I think is a fundamentally important document looking ahead. As you probably know, growing out of that came the SuperBuild fund, which was consolidating and managing capital investment for the province of Ontario. That \$10 billion intended to match some other private sector or other sector involvement to \$20 billion is a pretty ambitious and efficient plan. I think the overall is to include to joint use and multipurpose in the best kind of arrangement.

I did meet yesterday with my federal counterpart and we spoke to one of the lower-tier municipalities. I was quite surprised to learn that I think on October 2, 2000, the federal government signed on to COIP, the Canada-Ontario infrastructure program. I think the five-year commit was something just over half a billion. Cast that against the \$10 billion that I've mentioned and it's infinitesimal. I'm not just playing the "blame the fed" game here. What I'm trying to say is that we recognize clearly—Minister Eves and certainly the Premier, who

were at the table—that the SuperBuild fund is a growth-oriented commitment.

Also OSTAR, which is part of the SuperBuild fund, is an extremely important initiative, given the fact that water and sewage issues as we know them are challenges for all of us, given the recent events at Walkerton.

The Olympic initiative that is underway—I see your pin and commend you for that, I think. I live in the GTA so will have to be mild on that one.

You've said there has been spectacular growth. I want to get back to the capacity issue is really what I'm getting to here. In the capacity of your sector, the commercial-industrial sector, it went from 6.6% to 9.2% or something like that. That's pretty specific growth, given the constraints; that is, the shortage of skilled trades, the attraction and redevelopment. We've tried, as you know, to implement some differentiation within the skill sets. One of the bills we introduced was to try and introduce some way of reskilling existing trades so they don't have to go through the whole four years of training. I'd like you to comment on that.

What is the capacity of your sector? It's at 9.2%. Given all things, SuperBuild and all the pressures, do you know what's really happening? That hospital that you said had five quotes, two were just courtesy quotes and one really didn't mean it. The price is going through the roof for most of this capital, which is another debate. But talk to the capacity, skills shortage and what we could do specifically perhaps in some of the labour issues that we've dealt with in legislation to deal with that and help you to move that number up.

**Dr Surplis:** The number was at \$12 billion plus in 1989-90. That's sort of the benchmark for us.

**Mr Phillips:** Those were the days.

**Dr Surplis:** Those were the days, and we were growing and growing.

**Mr O'Toole:** That was when you doubled your debt, wasn't it?

**Mr Phillips:** No, no.

**Dr Surplis:** We just grew and grew, but that was pretty much the capacity. We were up around a 500,000 workforce and all that amount. It was really very good. Then it all dropped down.

Ms Pupatello has asked me for a chart which we have on apprenticeship. Of course it dropped like a stone, for all kinds of reasons, one of which was not necessarily that they weren't interested, but once they got interested, there was no work for them. You have to have a working spot to be an apprentice and to finish your apprenticeship. Too many gave up on that; they just couldn't find work. There are all kinds of reasons for that. But we're getting to it.

We do commend SuperBuild, all day, every day. We commend the initiatives that way. What we were saying, by the way, in terms of a champion minister is a minister who can look at the entire industry, at all our problems. For instance, we've got to go to the Attorney General for the lien act and the limitations. We've got to go to the Ministry of Labour for labour relations. We've got to go

here and we've got to go there. There isn't one person who can say, "Here's what the construction industry needs." That's what we're looking for. But no, we do acknowledge SuperBuild in every way.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

#### TORONTO ASSOCIATION FOR COMMUNITY LIVING

**The Chair:** This next presenter this afternoon are representatives from the Toronto Association for Community Living. If you could, please, come forward and state your name for the record. You have 30 minutes for your presentation this afternoon. On behalf of the committee, welcome.

**Ms June Chiu:** Good afternoon, ladies and gentlemen. My name is June Chiu. I'm the president of the Toronto Association for Community Living. With me today are Agnes Samler, who's the executive director of our association, and to my left is Keith Powell, who's the executive director from our provincial organization, the Ontario Association for Community Living. To his left is Mr Frank Drasnin, who is a member of the board of directors from the Ontario Association for Community Living. I'd like to thank you for the opportunity for seeing us today.

First of all, I'd like just to say that our association supports people with an intellectual disability from birth through their senior years. Our association was established over 50 years ago when a group of parents formed the "parents' council for retarded children." This group of parents was determined not to place their children in institutions but rather to find community alternatives for them. We started by developing special schools for children who were at that time excluded from the school system for many years.

Today, we are a large association, serving approximately 5,000 individuals with an intellectual disability and their families. We offer a wide range of services, including early childhood education, employment training and placement, residential placements for adults, parent relief for children and adults, as well as case management.

**1630**

As president of TACL, as it is known, I represent a membership of about 1,000 people, many of whom have family members with an intellectual disability. I myself am the mother of a daughter with significant special needs. Our daughter Nadine, known as Dee, had an intellectual as well as a physical disability. As an association, we have the support of over 800 volunteers.

Today, I would like to tell you about four major issues which face our association and indeed which face the entire sector of people with intellectual disabilities.

Our first concern: senior parents who are still supporting their adult children with an intellectual disability at home; second, school-aged children and youth whose parents are finding that their children are not included in



their local schools, although that is the option supported by legislation; third, the need for government to support lifelong planning and resources for people with an intellectual disability; fourth, dangerously inadequate salaries for the workers in this field.

To start, I want you to know about a pressing problem facing an increasing number of families in the Toronto area. It is the critical issue of senior parents who are still caring for adult children at home.

In the 1930s and 1940s, if you had a child identified as being "mentally retarded," you were advised to place that child in an institution. Although this was difficult for many parents, they followed the advice of professionals and put their children into institutional care. Some parents were determined to keep their children at home. Often, they did so at great financial and personal cost to themselves and other family members. These parents were of a generation that took care of their own. They seldom asked for help from government.

Now, these same parents are aging. They are in their seventies, eighties and a few are even in their nineties. Sometimes there's only one parent still alive. Often, their adult children still need physical help with toileting and eating. These parents are tired. Other family members try to help, but they usually have families who depend on them as well, or they may not live in Toronto. In reality, very few are ready to take on the additional challenge of a sibling or family member with an intellectual disability. These parents are desperately worried. They ask what will happen to their son or daughter when they themselves become ill or die.

What makes their situation particularly unfair is the difference between how the children who are supported at home are treated and how the children who were placed in institutions are treated. We have estimated that if a child was placed in an institution in 1955, the government would have paid over \$4 million to support that individual if translated into today's dollars. As institutions are closed, now each of the residents leaving an institution is guaranteed annualized funding to provide a safe place to live in the community, as well as a stimulating day program. People with an intellectual disability, living at home with senior parents right now, do not have any of those guarantees.

Yes, our sector has received \$50 million in new money recently. We are very grateful for that infusion of funds, but let me tell you how woefully inadequate that really is. Some money was allocated for senior parents in Toronto. Approximately 100 Toronto senior families in great need, and who were ready to accept placement immediately, were identified. There were funds to find residential supports for the sons and daughters of only 33 of these parents, almost all of whom were over 80 years old. Still there remain at least 65 Toronto families with very senior parents who have been left in frightening uncertainty.

What we are asking for as a first step is that your government provide the opportunity for residential and day supports to every family where the primary caregiver

is over the age of 65 or has a life-threatening illness. We know that some parents will choose to continue to keep their son or daughter at home, but the knowledge that the help will be there when needed will remove the tremendous burden of anxiety about their future. For other senior parents, these resources will allow them to live their final years knowing that their adult child is provided with adequate care.

Senior parents are not the only people who feel that they are up against impossible barriers. Many parents of school-age children feel the same way. As one of them said recently, "Why do we have to fight for everything, forever?"

Government regulation 181 stipulates that for children with an intellectual disability, placement in a regular classroom, with the appropriate educational support, should be considered first. We applaud this. Unfortunately, there are many barriers which stand in the way of schools and parents in making this a reality. In order to get funding for critical supports, schools and parents have to go through a long and costly procedure of testing and meetings of professionals, most of which is unnecessary. This process forces parents to present their children in the most negative possible light. Some parents even say they are made to feel guilty because they have a child with special needs.

As Dee's mother and advocate, I can remember that whenever I sought the appropriate supports for my daughter, I was often reminded that if Dee were provided with such assistance, then it would be at the expense of other students and even the school's needs. But this has not been our experience. In fact, we find that in schools where children with special needs are included, all children are more likely to be regarded as individuals.

One problem is that the school staff have not received the training and support they need to realize and to sustain an inclusive classroom environment. Regular classroom placement is often not mentioned as a possibility to parents. While we do not believe that every student with special needs requires an educational assistant, we do know that it is unreasonable to ask a teacher to support the student with special needs without extra resources.

We do believe that the school system is beginning to recognize the value of inclusion. We ask the government to play its part by supporting children in regular classrooms so that they will be fully included in our communities where, later, they will be able to make their contributions through employment, volunteering or providing examples to others through their spirit and courage.

Parents of children with an intellectual disability should not feel that they have to fight for everything forever, whether in the school system or in other social service programs. Families need the larger community of ministry agencies, service providers and the public to welcome and include their children, giving them the same opportunities to thrive as other children have.

Our third major need is for government to work with us to create lifelong planning for people with an intellectual disability. An intellectual disability is a lifelong



condition, so it makes no sense to provide support for certain times in a person's life without recognizing that this same person will need different kinds of support at critical transition points throughout their lifetime. I remember how frightened and confused I was as a parent of an infant recently diagnosed as having an intellectual disability. It would have saved my husband and me years of frenzied worry if we had received supports to determine how best to help our daughter, Dee, find those opportunities to achieve her potential at the beginning of our journey and as she started school.

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To have information and assistance as soon as a child is diagnosed, help to get the most appropriate schooling, extra support for transition from school to work or other productive activities are all needed. Also, as I mentioned at the outset, at the point when family can no longer provide necessary care, other ways to meet the individual's needs must be readily available.

The kind of planning for a person's entire life requires a change in approach. The government now spends a great deal of money dealing with crises. A comprehensive and supported life plan will ensure that money is spent wisely, that existing community resources are used as fully as possible and that the anguish of uncertainty is avoided.

To summarize our first three needs: the plight of senior parents requires immediate attention in the upcoming budget; facilitating the inclusion of children with an intellectual disability in the school system will require some resources, but more than that, it will require changes in current procedures and attitudes; and finally, instituting a planning approach for people with an intellectual disability which recognizes the disability as a life-long condition will be very helpful to government, as well as to people who have an intellectual disability and their families.

As an association, we do not believe that we should sit back and let the government do everything. We feel that if we are bringing forward problems, we should also be looking for solutions. For instance, during the past year we have built on our history of partnership with the private sector to create a pilot program directed at youth 14 to 21, to assist in their transition from school to the world of work or other productive activities. By working closely with schools and private groups such as Junior Achievement, we now have a group of 50 young people who are trying different volunteer and work experiences. These young people are gaining the skills which will help them succeed in jobs and other post-school activities. Some of them have already achieved competitive employment.

Some of the initial funding for this project has come from a major bank, the Canadian Imperial Bank of Commerce, and companies, like Trimark, which believe this to be an important contribution for them to make. At this point, the government is considering this program for ongoing funding.

Now to our fourth issue of concern. We are reaching a crisis in terms of funding for staff who work with people with an intellectual disability. A recent study shows that workers in our sector receive 20% to 25% less than people doing the same work in provincial institutions or similar work in other settings. For 10 years, our staff received no increase in wages. Recently the government provided a 1% and 1.5% increase in subsidy over two years. We immediately passed this on to our staff, but it does little to stop staff from leaving the field. Often when they do leave, they talk about wanting to stay but being unable to support themselves and their families on existing salaries. Their jobs in other workplaces often pay \$10,000 more per year.

Numerous vacant positions decrease the amount and the quality of support and care we can provide. At TACL, we have positions which have not been filled with permanent staff since April and August of last year. It is verified by the community colleges that people are not enrolling in the programs which train them to work in this sector. This seriously jeopardizes our ability to provide essential support in the years to come. We are facing a very dangerous situation for people with an intellectual disability and their families. This issue deserves to have top priority as you plan the next budget.

In addition to the assistance required for families and staff, we need your help on the issue of increasing costs for which there is no extra funding. Prior to January 1, 2000, we received letters from our ministry indicating that we must address the Y2K issue. We were obliged to replace most of our systems in order to be Y2K-compatible. This was very costly. We know that in the health sector, hospitals and other agencies receive funding to address these needs. We ask that you also provide similar resources to social service agencies as part of the new budget.

Pay equity and WSIB are government initiatives which have added significant costs. How can we cover these costs without further affecting the quality and the quantity of support to the people with an intellectual disability and their families?

On a positive note, the last time we spoke with you we also had a number of concerns about the implementation of a government restructuring approach called Making Services Work for People. I am delighted to report that in Toronto, by working together, government, families and agencies have taken a fresh look and developed a system which answers our previous concerns. We are now working co-operatively within the service sector and with our ministry to implement an approach which is more responsive to the needs of individuals and their families.

Let me end by thanking you for your attention and reminding you of our four greatest concerns. Senior parents and caregivers over 65 or who have a life-threatening illness and are still supporting an adult child with an intellectual disability at home need a plan which provides residential and day support resources to their family member when they require it.

There is the need of parents of school-age children to not have to fight for everything forever. This means a move in attitude to include our children in neighborhood schools. It means training for teachers and appropriate classroom resources.

Next is the importance of government supporting lifelong plans for people with an intellectual disability through recognizing and providing resources at key transitions in their lives.

Finally, the importance of a living wage for the workers who provide essential support to individuals and their families. Without this component it will be impossible to provide the necessary care for people with an intellectual disability.

I leave you with one thought. Our sons, daughters, brothers, sisters and cousins, uncles and aunts, friends and neighbours with an intellectual disability will continue to live among us, loved and valued as friends and family members. Their numbers will increase since it has become the norm for individuals with a disability to grow up and live in their communities. Our larger community and groups like our association must work hard to prevent them from experiencing a life of ever-diminishing quality where limited resources cannot meet the needs.

We look to our government for leadership. We trust that as you develop a new budget, you will bear in mind that essential supports are needed by our most vulnerable citizens so they may live and contribute in a safe and secure environment. Thank you.

**The Chair:** I thank you too. However, I'll take a quick question from each caucus, about 90 seconds each. Can we do it?

**Mr Christopherson:** I'll try. Thank you for the opportunity, Chair.

Thank you for your presentation. I wish the media were here now in the numbers they were at this morning to listen, to watch the dog-and-pony show of the minister roll in, because what we see after that is the real Ontario and the reality of what's there.

I want to ask you, because I don't imagine the government will—so far the only solution they've offered to anything is tax cuts. I'd like you to rack your brain for me and see if there's any way you can possibly conceive of further tax cuts being the solution to all the issues you've raised here. One thing about this issue is that it cuts right across income, education, geography. Many of us, myself included, have experienced individuals in our families who face the kinds of challenges you've mentioned here today. Are tax cuts going to do anything about this?

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**Ms Chiu:** I'll answer that but I would like my colleagues here to jump in as needed. We know there are individuals in our community who require that ongoing support throughout their lives. We know the numbers will increase. Different groups around the province who provide the services are trying desperately to meet those needs and to address the upcoming needs in the future.

We have to do that. We, as a humane society, must look at how we can do that in the best possible way.

**Mr Arnott:** I'll be very quick because Mr Galt has a question too. I just want to thank you very much for your presentation. I think you've made a very compelling case for the need for greater resources, particularly for aging parents who have a child with an intellectual disability, as you said. I would like to indicate to you that I will certainly follow up and do what I can to support you in this objective. As I said, you've made a very compelling case. I'm pleased that the government has responded with \$50 million to date. If that's not enough, we need to find the resources to do what needs to be done. Thank you.

**Ms Chiu:** Thank you for your support.

**Mr Galt:** Thank you for your presentation. I've had similar presentations made to me by Chris Grayson of the Campbellford Association for Community Living, and also I've had some parents present to me. I'm coming to the question of the adult children with intellectual disabilities. Do you have any feeling as to numbers in Ontario or Toronto or a given area and the dollars that we're talking about? When we approach the Minister of Finance, we need to know what the cost would be that we're recommending to him. I certainly have empathy for your concern but I need a few more figures, if you have them.

**Ms Agnes Samler:** I could speak to that. We have recently done a survey just in the Toronto area, because that would give us some idea. Of the families where we had parents over the age of 65, we had 144 families that we could identify immediately. We also provided to the Ministry of Community and Social Services some indication of whether those parents would accept service immediately if it were offered or whether they might continue to have their children at home. We were hoping through this process to allow the government to make an estimate of the cost and I'm sure we could provide that across the province within a short time.

**Mr Galt:** And the 144 is Toronto, not greater Toronto.

**Ms Samler:** No, simply Toronto.

**Mr Keith Powell:** I'm Keith Powell. I'm the executive director of the Ontario association. Collecting data like you're suggesting is not an easy task, for a number of reasons. One is that often families who need services don't wish to come forward and put their name on a waiting list until such time as they feel it's a necessity. Additionally, some families who have been on lists, so to speak, for quite a long time have given up because the information they had back is that they'll wait for eons. So the data are questionable.

However, among the affiliated local associations in our provincial federation—and there are over 100 across the province with whom we are affiliated—we did a recent waiting list study. About 43% of our associations participated in that study and, based on the information we received back from them, we're aware that across our federation there are likely 8,700 people specifically waiting for services and identifying that they need them now. This is not a figure for the entire developmental



services sector; this is for those transfer payment, service-providing organizations affiliated with OACL.

**Mr Galt:** Of the individuals who are challenged, 8,700 need assistance now.

**Mr Powell:** That's right.

**Mr Phillips:** Thank you for your presentation. Just a comment and then a question. One of the challenges as we move to more and more community-based care is, how do we make sure that we are actually providing for the needs? When there was an institution, whether it be a long-term-care facility or a facility for the developmentally handicapped, you could measure that. But when they're out in the community, we do not have, in my opinion, any kind of measurement at all. I'm afraid as we move to more community-based care, whether it be seniors, whether it be people with a developmental handicap, whatever, we're not going to keep in touch with those.

I'll give you my question and then maybe you can answer both of them. I've been aware for some time from the Toronto-based Association for Community Living of the major problem with salaries and almost a crisis of being able to retain staff. "Crisis" may not be too strong a word. Where do you stand on that? What has the government been saying? Are they saying, "The 1% and 1.5% should handle the problem," or "We are about ready to make a decision on whether we're going to provide more funding for that"?

**Mr Powell:** The minister has indicated that he knows the funding available in the sector is not adequate and has indicated that they are committed to examining and doing what they can to address the issues. I think that's probably the best answer I can give.

**Mr Phillips:** Is there a timetable on that?

**Mr Powell:** We were not given a specific timetable.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

#### WINE COUNCIL OF ONTARIO

**The Chair:** Our next presenters will be representatives from the Wine Council of Ontario. Please come forward and state your names for the record.

**Ms Linda Franklin:** I'm Linda Franklin. I'm the executive director of the Wine Council of Ontario.

**Mr Bruce Walker:** I'm Bruce Walker, vice-chair, Wine Council of Ontario.

**The Chair:** On behalf of the committee, you have 30 minutes for your presentation.

**Ms Franklin:** Terrific. I'm sure you've had a long day, so we won't read ad nauseam from our presentation. We have copies of it for you.

Thank you very much for seeing us today. We are here to talk about the wine industry, obviously, to share with you where we are as an industry, some exciting news about where we think the future is and how we would like the Ontario government to partner with us in reaching that future.

Many of you around the room, I know, have been involved with the wine industry in the past. Mr Kwinter

and certainly Mr O'Toole know our industry. For those of you who may not be as familiar with it, we had a period of crisis about a decade ago when free trade was established. Markups, taxes, on wine for our industry used to be at 1%; foreign wines were marked up 66%. The free trade agreement equalized those markups, so now all wines in Ontario, whether they are foreign or domestic, are marked up at 58.6%. The corollary to the free trade agreement was meant to be that foreign markets would open to us and that we would have equal access to those markets.

The good news is that our industry survived that crisis. Instead of eliminating the Ontario wine industry in a couple of years, as many predicted, our industry grew stronger as a result of the free trade agreement and our need to base our industry on quality and premium wines. The VQA was established, coming out of free trade. A generic marketing campaign was put forward that really moved our industry ahead, and over the course of a short space of time our industry went from being, in consumer perception, "Well, gee, they're OK value, not great quality, wouldn't take them to a friend's house," to now being in a position where consumers overwhelmingly believe we make wonderful wines. They come down to wine country; they visit all the wonderful properties that are in Niagara and southwestern Ontario. There has been an enormous transformation in our industry.

On the down side, though, the free trade agreement has not opened foreign markets to our products. We still find ourselves competing in our shelves in Ontario with highly subsidized foreign wines that get enormous subsidies from their home governments to market in our province. In Europe alone it's \$6 billion a year. In the United States there's a \$10-million fund that goes directly into exports, primarily directed at Ontario. So there are clearly issues for our industry.

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We're growing as an industry, we've made a lot of strides, but we are very concerned about the future of the industry going forward. After several years of impressive growth with the establishment of the VQA, in the last two or three years our market share has started to slide. At one point, just about three or four years ago, we had a 47% share of the wine market in Ontario. It's now down to about 41%. Most of that is attributable, again, to foreign subsidies in marketing programs, trade commissions that run programs of advertising for their members, run promotions in the liquor control board. So we're fighting tremendous competition.

At the same time, we are facing, in the not-too-distant future, a global glut of wine. The Australians are planting enormous acreages right now. They're still planting in Europe. Tremendous plantings are coming on stream in California. The number one export destination for all those products is Ontario. It's the most open market available to foreign producers of wine. Again, their markets are not open to us.

So we have an enormous challenge in the industry: translating the image successes we've managed to



achieve with consumers into retail sales success and into a program where we can beat foreign wine producers at their own game and really move ahead and advance the industry in Ontario.

As a result of those challenges, we have spent the past year working with government to develop a long-term strategic plan. It's just being finalized now. The documents that we're circulating to you have a big glossy colour document that is the first piece of that strategic plan that deals with retailing and marketing of Ontario wine. We believe that plan, if properly executed, is going to transform our industry. It envisions taking us from an industry that sells about \$350 million of wine today to an industry that sells \$1.5 billion of wine in 20 years. It has a tremendous impact on jobs. It will create about 10,000 new jobs in the Niagara region. It envisions planting every single acre of available land in the Niagara and southwestern Ontario areas that are suitable to grapes. It means sustainable economic development in areas of the province that are particularly hard hit by downsizing in industry. It means retaining agricultural land as agricultural. It means supporting grape growers who right now are one of the few success stories in agriculture in terms of what they're able to make from their land and the sustainability of their land.

It has enormous impacts for the Ontario economy, not only in jobs but also in economic impact generally. Every \$10 million of Ontario wine sales produces about \$14 million in economic activity in the province. Of course, as we increase wine sales, we also increase provincial revenues in terms of taxes. Again, from the years before free trade, when our industry paid about \$2 million in taxes on markups to the provincial government, today we pay \$150 million a year in taxes just through markups. About \$200 million in taxes from an industry that makes \$325 million worth of wine is a tremendous amount of tax, as you can imagine. So we are major contributors to the provincial economy and its revenues from taxes. We believe this plan achieves the ends of boosting the economy, boosting the industry, encouraging agriculture to continue in Niagara and increasing the revenues to the provincial government.

For all of those reasons we think the strategic plan is important. It creates very high goals for the industry in terms of growth over the next few years, but we believe those growth challenges are attainable. The Australian wine industry about five years ago developed a 25-year strategic plan for exports. At the time they were thought of as crazy, frankly, because the targets were so high. But as of this year they have now shelved that strategic plan, because they're within a year of reaching their 25-year target, six years into the plan. The California wine industry, again, working off a strategic plan, has grown in its own market 12% a year for the past decade, even though they already own about 90% of their home market. We have tremendous room for growth, only owning about 41% of the market. I can't imagine, frankly, why in Ontario you would want to sell a foreign

wine if you could sell an Ontario one with all of its ancillary benefits. We believe we can get there.

The plan obviously is going to take financial resources to achieve. We believe it's going to require about \$1.2 billion in capital expenses over the next 20 years: cooorage facilities, planting of vineyards, buying of land. Our industry is prepared to take on that investment. It also envisions about \$12 million a year against marketing the industry and fighting foreign competitors' marketing dollars in our home market. Again, our industry is prepared to take on that challenge. We believe we can create a pot of money that comes close to meeting our needs, but we're not quite there. That's where we would ask for help within the budget this year from the government.

As you know, we are a fairly heavily taxed industry. There is very little that can be done about that in terms of markups on wine because those are regulated by trade restrictions. But there is one tax in the province that is specific only to Ontario wineries and that is the retail store tax that's placed on wine that is sold by wineries, either in their own stores or when they sell directly to restaurants. That tax is 2% on the value of the wine. It brings in about \$2.2 million a year to the coffers of the government of Ontario. What we would like to see is two things from the budget.

First is the elimination of that tax. Our industry has agreed that should the tax be eliminated they would be prepared to invest the entire tax through the Wine Council of Ontario in generic marketing of the industry to boost our smaller, newer players, to give a heightened profile to VQA and to provide a pot of money that would help us master our own market against our foreign competitors. We think that's a critical element of making this plan work. We don't think it can work without that investment, and we think it's one way that the Ontario government can help level the playing field a little against our foreign competitors, by reducing the tax burden on our industry. Most wine industries worldwide are taxed at a much, much lower level than we are. In the United States it's a question of pennies a litre. In our case, a \$7 bottle of wine generates about \$2.50 for the producer and the rest is tax. We'd like to see some of that money made available to the industry in order to boost sales. We think it's an investment, frankly, by the government. We believe we can return far more than the \$2 million a year we're asking for with the advancement of this strategic plan.

The other thing we're proposing is that the government consider a superallowance for the planting of vineyards. Vineyards are already tax deductible in the federal government. We would like to see an additional 10% or 15% allowance over and above that to encourage growers to buy up agricultural land, to plant it with vineyards, to preserve that land in Niagara against housing development on rural lands. Frankly, this plan will not work if we keep losing agricultural land in Niagara and southwestern Ontario to building and development. We believe that with that sort of incentive we can incent the

growers to plant the rest of the available lands over the next 20 years and to really grow our industry.

That, in short, is our plan. We're very excited by it. We're at a critical junction in the history of this industry, and we believe that we can produce a very exciting future for the industry with a strategic plan in place. We think that our request is within an appropriate range. As I say, it's an investment. We think we'll return more money to you over a short period of time, and over the long term we think it has huge potential for the province.

I don't know whether Bruce has anything to add.

**Mr Walker:** Not a lot, Linda.

I would just add to what Linda has presented in terms of this as an investment in Ontario. When we came at this as a strategic workshop a year ago, when we came to the bottom line of it all, we saw clearly what we as an industry had to invest in our future, in our own future, in a sustainable agricultural-based future. As Linda has indicated, we, as an industry, have put our money forward in this plan to the tune of about \$12 million of the amount that we need for a generic annual campaign to get us kick-started again and to grow again in absolute terms and in market share growth.

Also, I want to add in the tourism factor. Wine country, wherever it is in the world—Napa Valley, Bordeaux, Loire, Tuscany, Australia now, the Barossa Valley and so on—is a tourism destination. Half a million people go through our wineries every year, and that's just over the course of basically the late spring and late fall. We are clearly drawing people, not only from outside the country but Ontarians travelling in Ontario and stimulating the economy in Ontario, because we have clearly established a grape and wine region with world-class wines.

I'll just add a little snippet. I also, in my day job, work for one of the wine companies, Vincor, and just by way of establishing the credentials of the bench in the Niagara region, we this past year announced a joint venture with the Boisset family out of Burgundy, France, who have judged that the soil, climate and total growing conditions on the bench in the Jordan area actually suits Chardonnay and Pinot Noir so well, they want to put their stamp on them and sell those wines worldwide. The vineyards are planted as we speak, and I think Frank Ghery is the architect who's going to build the winery. He's already designed it, so I'm pretty excited about that.

By way of the establishment of credentials, of a reputation that speaks for itself—tasting is believing, I guess—we believe we have a future and we're darn well going to make it happen.

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**The Chair:** Thank you very much. We have approximately four minutes per caucus, and I'll start with the government side.

**Mr Galt:** Thank you very much for your presentation. It was extremely well done. Thank you for the revenue you create for the province of Ontario. Congratulations on the product. I believe it was black arm bands that your

industry was wearing back in 1988 or 1989—quite a turnaround when the challenge is there.

I think you must have missed, and you don't owe us an apology—you talked about the growth of grapes in the Niagara Peninsula and southwestern Ontario. Don't forget Prince Edward county. We even have some into Northumberland, and there are wine courses now being given at Loyalist college in Belleville. So it is moving into eastern Ontario and I think there is a great future for it there as well.

I also have an interest in it because my in-laws grew grapes in the Niagara Peninsula throughout their lifetime. Consequently, whenever we're on a flight and wine is being offered, my wife always asks for Canadian wines. I'm left wondering why on Air Canada, the federal crown corporation, unless in recent years, you could not get a Canadian wine. They didn't even carry it. They didn't even have it there as backup. You'd think at least they'd have a little bit as backup for somebody who asked for it. Hopefully that has turned around in the last year or so, and it may have and I may be outdated in my question.

**Ms Franklin:** It hasn't, actually. But the good news is that British Airways now carries Henry of Pelham.

**Mr Galt:** British Airways now carries Canadian wines, but Air Canada doesn't.

**Ms Franklin:** Exactly.

**Mr Walker:** I just flew Air Canada the other day and it's a tad frustrating. I joined this industry back in the early 1980s with Andrés Wines and have worked in the wine industry on both sides of this fair country, and every time you sit down with a marketing plan it's, "How can we address the issue, the opportunity, of airline distribution and particularly Air Canada and Canadian?" Canadian actually was more amenable and had taken some of the wines on, but at the end of the day you'll only get Canadian wines limited in business class, poured from the bottle. In order to quote on airline business, you go to their head offices and they tend to be staffed by what I'll refer to as wine snobs, Europeans, very often, by birth who really don't consider any wine a pedigree wine unless it comes from France, Germany or Italy.

That's always the tough part, to get by—the purchasing agents for Canadian Airlines and Air Canada historically have been Europeans. So it's been tough, plus you have to quote so low that you can't make anything at it, so it's a marketing cost. You basically quote at cost. But I don't want to drag it out. It's been a struggle and we're not giving up.

**Mr Galt:** When asked, the steward or stewardess's standard response is, "There's no interest in it. That's not what people want. You must be from the Niagara Peninsula." We say, "No, we're not. We're just interested in Canadian wines." You write to the president of the company and, "Oh, nobody ever asks for it," is the type of response we get back.

But I think it's interesting that you're saying other airlines now carry Canadian wines but a Canadian crown corporation won't support a Canadian industry, yet they expect Canadian industry to support them.



**Ms Franklin:** Interestingly enough, the South African airline industry, for example, proudly displays and showcases South African wines. Part of their brochures and their materials to travellers is that they are a proud sponsor of the South African industry. It could be a plus for the airlines but we haven't been able to make them feel—

**Mr Galt:** Maybe we can understand why the demise may be coming for that particular airline.

**The Chair:** Mr O'Toole, you've got time for a quick one.

**Mr O'Toole:** Thank you very much, Linda and Bruce. I agree with you that it is a modern-day success story, and without dwelling on that, that reflects well on the government as well. From the points you've made here, I'm certain the new Minister Sterling is no stranger to that, as he was there at the beginning, so I'm sure he will be able to pick up that quite quickly.

I do hear the two specific challenges of the 2% retail as well as the tax credit, as you put it, for the revitalization of the industry. It looks like it's an investment, not a tax thing. Certainly, based on past performance, the future looks like it's a good investment.

**The Chair:** The official opposition.

**Mr Kwinter:** Thank you very much for your presentation. I was looking around the room and I'm the only person in this room who lived through what happened in 1985-86-87, when I was a minister.

**Mr Phillips:** I was alive then but I didn't—

**Mr Kwinter:** You were alive. I have to tell you that at that time, the reputation of Ontario wine was that it was plonk. People would be embarrassed to take a bottle of Ontario wine to a dinner party because it would be seen to be less than acceptable, notwithstanding that the Italian or French wines they took that were imported into Canada were worse than the Ontario wines. Even at their worst, it didn't make any difference. It had the French or the Italian label and that's all that mattered.

It was part of our government, and we just happened to be in the right place at the right time and we were receptive. We put in this program to convert all of the labrusca grapes to viniferas. What you're seeing now is the result of that change. We have the Chardonnays and the Rieslings and all of those things that are being grown. We took it to that step, and I think the time now is to take it to the next step, because Ontario wines have an excellent reputation as long as people get a chance to try them and as long as people get a chance to know them. Certainly our ice wines have got a world-class reputation and I know that Inniskillin's ice wine—I don't know what the year was, 1997 or—

**Mr Walker:** I think it was 1993. They won the grand gold medal.

**Mr Kwinter:** They won the grand wine at—

**Mr Walker:** Vinexpo.

**Mr Kwinter:**—at Vinexpo. Not only that, but I've seen the evolution of the tourism aspects of the wineries and I've seen the expansion into these other parts of Ontario. I think it's absolutely incumbent upon us to

build on that particular base that has developed over the last 15 years. Not only that, but in your brief—I went through it very quickly—there is a halo effect to a very viable wine industry that has an impact on other areas of tourism and the impression that people have of your particular jurisdiction. So I am very supportive and very sympathetic. I just wish you well and hope that some of the things that are these irritants, these trade irritants in particular, where these European countries insist that they have access to our markets but balk at us having access to their markets—to me that is just unconscionable.

As I say, I am totally supportive and I hope that your presentation falls on receptive ears and that somewhere along the line we take it to the next step, which I think is absolutely critical. If you have any comments, I'd be happy to hear them.

**Ms Franklin:** I think we'd be remiss, as Mr O'Toole and Mr Kwinter both pointed out, in not crediting the Ontario government over 10, these many years—Liberals, Conservatives and NDPs alike—because we have had as an industry tremendous governmental support for that transition. As you say, Mr Kwinter, if it hadn't been for that intervention at the end of the 1980s and the early 1990s, the industry would not have survived. We often I think are held up, and rightly so, as a stunningly good example of what happens when a government-and-industry partnership works, and works well, and it certainly has.

**Mr Christopherson:** Thank you for your presentation. I think it's probably one of the few presentations we're likely to hear where there's close to unanimity on the issues, although I'm sure we'll work hard and find a way to disagree. It's our nature.

*Interjection.*

**Mr Christopherson:** Yes, I'll just keep talking my way into that, Gerry.

I appreciated the fact that you mentioned that both our government, the NDP government, and the Liberal government had also played a role. That's appreciated very much. I guess the only thing I really wanted to touch on was the issue of the farmland, just to get it on the record, the rate at which we're losing what has now been clearly identified as world-class growing land. Maybe you could just put a little bit of meat to the bone on that issue for me.

1720

**Ms Franklin:** This is an issue of enormous concern to us. It has been for a long time, but as we developed the strategic plan it came into much clearer focus, because we are looking at planting twice as many acres as are currently under production, and that will barely get us to our goal, frankly. At the same time that's going on, we are seeing tremendous development pressures, particularly in the Niagara region. The microclimate in Niagara means that it's one of very few growing areas—Prince Edward county along with southwestern Ontario around Pelee Island being the others—where, unless global warming takes hold tremendously, we will ever grow



vinifera grapes for fine wines. So it's critically important that that land be preserved, and as you say, day by day we're seeing encroachments, extensions of the urban boundaries, new housing developments going in, even a case of housing developments in the Niagara Escarpment plan area. So it's a really critical issue to us.

One of our members whom many of you will know, Donald Ziraldo from Inniskillin, has been pushing the idea in recent months of creating a land preserve in Niagara, similar to what was done in Napa and similar to what was done in British Columbia, to protect the grape-growing regions. At the end of the day eventually they'll protect themselves, because when the wine industry really takes off, agricultural land becomes the most valuable land on the planet. It's certainly true in Burgundy; it's true in a lot of the European countries that produce fine wine. In Niagara we haven't got to the point yet where as agricultural land it's more valuable to the grower who owns it than it is if you hand it to a developer. We really do need to work at preserving that land until we can get it to the point where it's so valuable in its own right that it will never be subject to development issues.

We have a land use committee right now in the Wine Council. We're struggling a bit with this issue. We know the growers won't be with us because frankly there are issues of land severance. If you own the property and you need to make money for your retirement, you want to sever the land. But if that's allowed to continue and development continues, we won't be looking at expanding the industry because there simply won't be any agricultural land left to do it.

**Mr Christopherson:** Yes, at the end of the day it's going to be another one of those philosophical questions that we look at in terms of individual rights versus collective rights. We're hearing that there's a collective rights issue here as a business, both for this generation and future generations, so it's not always cut and dried when we deal with those kinds of things.

Just sort of a housekeeping kind of thing, but given the aggressiveness of your plan—and it is very impressive, by the way, aggressive and impressive—I'm just curious about the makeup of the council itself. Is it mandatory for members to belong? You gave the assurance that there could be close to—was it \$1.2 billion, I think you said?

**Ms Franklin:** It is \$1.5 billion.

**Mr Christopherson:** Over 20 years. Obviously that means you've got commitments from your members. I'm just wondering how your organization lines up members and how many growers are members and what is their commitment to stay there, just that sort of structural thing I'm interested in.

**Ms Franklin:** The Wine Council is a voluntary organization, so it's not a requirement to join. Having said that, our membership represents 99% of the wine that's made in the province today. There are 42 members of our board right now. They're all directors so they all sit around our board table. We've had an awful lot of input from them as we developed this plan, and at the end of the day that

meant commitment at the end of it. Andrés and Vincor, who represent between them about 75% or 80% of the wine production, are both signed on to this plan, are wholeheartedly in favour of it and are prepared to spend. So are our mid-sized wineries and our small wineries. There's something in it for everybody. Everybody recognizes the need to do this, so we can deliver on that commitment. We are not an association that includes growers at the moment. We're looking at advisory councils, actually, because they exist in other countries and jurisdictions. They don't exist in Ontario, but we work fairly closely with the Ontario Grape Growers' Marketing Board. As of yet we don't have a commitment of funding from them, but we're hoping to get that commitment on the table as well.

**The Chair:** on behalf of the committee, thank you very much for your presentation.

**Mr O'Toole:** Mr Chair, I would like to correct the record. In Durham region there's Ocala winery and Archibald Orchards. Since the member for Northumberland went to some extent, I would be remiss, since this is televised, not to speak up.

**The Chair:** They did mention southwestern Ontario.

**Mr O'Toole:** Ocala is a very inventive micro-winery.

**Ms Franklin:** The Ocala folks actually are members of the VQA. They make great wine now—wonderful people, lovely people to deal with. On page 3, Mr Galt, we do reference Prince Edward county as an emerging wine region.

**Mr Walker:** And we welcome new regions, because I think it's not so long ago that—

**The Chair:** Mr O'Toole, thank you very much for bringing a different dimension to the discussion.

Again, thank you very much for your presentation.

**Ms Franklin:** You're entirely welcome. Thank you for the time.

## CENTRE FOR EQUALITY RIGHTS IN ACCOMMODATION

**The Chair:** Our next presenter, and the last presenter for this afternoon, is the representative from the Centre for Equality Rights in Accommodation. Could you please come forward and state your name for the record.

**Mr John Fraser:** My name is John Fraser. I'm program coordinator with the Centre for Equality Rights in Accommodation.

**The Chair:** On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Fraser:** I know it's the end of the day so don't worry, I won't go that long.

I work with the Centre for Equality Rights in Accommodation. We're a provincial non-profit human rights and housing organization. We've been around for about 15 years in Ontario and we primarily work with low-income households, individuals—primarily families—who are trying to get access to rental housing but are having a difficult time. I'm going to talk a little bit about

what we feel is a need for a provincial housing allowance program in Ontario.

When the Ontario Progressive Conservative Party came to power in 1995, they came with a very explicit platform, the Common Sense Revolution. Part of this platform was a promise to introduce a shelter subsidy program for all Ontarians who need help affording a decent level of shelter. It is now 2001 and the need for such a program is staggering. It's greater than could have been imagined in 1995. But unfortunately, while the government has made much of keeping the promises made in the Common Sense Revolution, this is one commitment that we feel has been conspicuously neglected.

Over the past five years, low- and moderate-income tenants have seen their housing options virtually disappear. A combination of factors, including a booming urban economy, rent decontrol of vacant units and an almost complete lack of new supply of rental units, has led to rapidly increasing rent levels across the province. Combined with stagnating or even declining tenant incomes, this increase in rent has made housing affordability a major problem for a large proportion of tenants in Ontario. Thousands of individuals and families are being forced to double up with friends or family, to live in low-quality or inappropriate housing, or to lose their apartments altogether because their incomes have failed to keep pace with housing costs across the province.

One thing that tenant and housing advocates have appealed for repeatedly is to address the lack of new rental housing in the province. The virtual absence of new units coming on to the market is a fundamental problem. We emphatically support these efforts, and it's something that certainly you've heard of in the news over the past few years. However, in our view, to adequately address the needs of thousands of households with desperate affordability problems, we must also consider the depth of poverty among renters in Ontario. Whether they live in communities where available rental housing is scarce, such as Toronto, which has a 0.6% vacancy rate, or where supply is not such a problem, such as Sudbury, where the vacancy rate is close to 8%, increasing numbers of tenants are finding that their incomes are not sufficient to cover housing costs.

These individuals and families can't wait for affordable housing to be built. They need assistance immediately. If they could wait, it would almost certainly be in vain, because for the foreseeable future, even if social housing programs were reinstated at their early 1990 levels, the vast majority of low-income renters would still rely on the private rental market for their housing needs; that's just the reality. So to address this problem, CERA proposes that the provincial government implement a housing allowance program for low-income households in Ontario.

Though a provincial rent supplement program was introduced in January 2000, it is intended to reach just over 5,000 households, and as of December 2000 has assisted just over one third of this number. It's clearly not a program for all Ontarians who need help in affording a

decent level of shelter. As this paper will document, the current rent supplement program does not scratch the surface, unfortunately, of the problems faced by Ontario's low- and moderate-income tenants.

### 1730

Across the province, average rents have increased significantly over the past five years. For example, the average rent for a two-bedroom apartment has increased by 22% in Toronto, 18% in Hamilton, 10% in Windsor and 19% in Ottawa. Rent increases over the past year were particularly dramatic. The average rent for a two-bedroom apartment in Ontario increased by 5.6%, which is double the inflation rate over the same period. In the Ottawa CMA, Canada's tightest rental market, the rent for a two-bedroom apartment increased by a staggering 12%.

These statistics, however, do not reflect the magnitude of the problems of housing costs in Ontario. The CMHC average rents that we are using here are calculated using rents for vacant and occupied units. Since occupied apartments tend to have significantly lower rents than vacant apartments of the same size, these average rents that I'm talking about significantly underestimate the actual rent that a prospective tenant searching for housing will experience in the rental market.

Similarly, utilities are not always included when calculating the average rents. For example, though the average rent for a two-bedroom apartment in Hamilton is relatively low at \$719 per month, only 35% of the apartments that went into that survey to generate that average included hydro costs in their rent. So these average costs actually are significantly lower than what someone would be actually experiencing if they were looking for housing.

In terms of affordability and income, in 1995, 45% of renter households in Ontario were paying greater than 30% of their income toward rent; 22% were paying more than 50%. This means that over 300,000 households in Ontario were paying more than half of their income toward rent. While it is tempting to treat this as a "big city" issue, limited to places like Toronto and Ottawa that have extremely tight rental markets, research actually suggests that affordability problems are widespread across the province, regardless of vacancy rates. Many municipalities with relatively high vacancy rates in 1995, such as Sudbury, North Bay, Muskoka, Cornwall and Timmins, actually had a higher proportion of renter households paying more than 50% of their income on rent than the provincial average.

These affordability problems have almost certainly increased in the intervening years, as tenant incomes have just not kept pace with increasing rents. This is particularly true of the most disadvantaged renters in Ontario, people who are working at a minimum wage or people on social assistance. The minimum wage has not increased in the intervening five years and social assistance incomes have actually declined. We have every reason to believe that these figures that I've stated



earlier, in terms of affordability problems, have actually gotten much worse in the past five years.

To really get at the problem, we have to go beyond looking at the statistics and look at actual case examples. This is not a theoretical case example. This is quite in line with the experiences of people we deal with every day. If we look at, for example, Mary, a single parent with one child receiving Ontario Works, most landlords in Ontario would insist that Mary rent a two-bedroom apartment so that she and her child could each have their own room. However, as figure 3 illustrates, in Toronto Mary would have to pay close to 90% of her income to rent such an apartment. This would leave her with about \$116 a month to cover an entire month's worth of food, clothing and entertainment. Even in Hamilton, where the rents are significantly cheaper, Mary would likely be paying close to 70% of her income on rent. It is important to stress that this average rent that we're using here is probably not what Mary would experience. She would experience rent far higher than this if she was actually looking for an apartment. Should Mary actually find a landlord who would rent her and her child a one-bedroom apartment, in Toronto she would still have to pay close to 80% of her income on rent, and in Hamilton it would be over 50%.

Families relying on social assistance in Ontario must pay an inordinate amount of their income on rent; that is just the present reality. These households make up close to 25% of all tenants in Ontario, a significant number of people.

If we look at the affordability squeeze for someone who is actually in paid employment in a minimum wage job, we would find that a single parent with one child working full time at minimum wage would likely have to give up three quarters of her paycheque for rent if she lives in Toronto. In Hamilton, she would likely have to pay approximately 55% of her income toward rent, in Ottawa 67%, and in Windsor 56%. So there is a clear mismatch between rent levels and incomes for thousands of low- and moderate-income families in Ontario. They just do not have enough money after paying the rent to adequately cover the costs for food, clothing and other necessities.

It should not be surprising, given this information, that in March 2000 over 280,000 people in Ontario utilized food banks. When a household is paying up to 90% of its income on rent, hard decisions have to be made. The provincial government needs to address the fact that its most disadvantaged citizens are being forced to live in substandard accommodation or forgo basic necessities in order to keep a roof over their heads.

While we agree the provincial government needs to definitely take action to promote the production of new rental units, this alone, in our opinion, will not solve the housing problems faced by low- and moderate-income Ontarians. It is equally essential that the province address the growing gap between housing costs and tenant incomes. To this end, CERA proposes a provincial housing allowance program to help bridge this gap. Two prin-

ciples should be key to the program to make it effective and equitable:

Universality is the first principle. This program should be available to every household in need. It's hard to justify not making it available to everyone in need and to limit it to only certain households who are in need.

Flexibility is the second key to the program. This means it should actually be a shelter allowance program as opposed to what's called a "rent supplement" program; that is, the funds should not be tied to specific units, but should go directly to eligible households, much like a tax benefit. This would maximize the housing options of these households and ensure that the effectiveness of the program was not dependent on individual landlords "signing on" to the program, which appears to have been a problem with the current rent supplement program, because a lot of landlords just aren't signing on to the program and, as a result, they haven't been able to use all the supplements they've had available.

The program could be set up much like the federal national child benefit. For example, eligibility would be based on an income cut-off and the housing allowance provided would be based on household size and composition. To be effective and in compliance with provincial human rights legislation, the housing allowance program must be available to both people receiving social assistance and low-income households in paid employment. It should not be clawed back from people on social assistance.

CERA recommends that all households that would be paying more than 50% of their income to rent an appropriate-sized apartment in their community be eligible for this housing allowance. The allowance provided will be based on the number of dependants in the household, and there will be a maximum.

There's no magic number for what the maximum would be, but we believe that setting a maximum at \$300 per month would provide significant assistance to individuals and families living in poverty. At the same time, we also feel it would also be sustainable, either by the province alone or through a federal-provincial cost-sharing agreement. If we estimate that approximately 400,000 households would currently be eligible for the program, and the average monthly allowance was about \$200, the housing allowance program would cost approximately \$960 million.

While this seems like a lot of money, it's actually an appropriate correction, in our opinion, to the recent deterioration of income transfers to low-income households specifically for shelter costs. The reality in Ontario, unfortunately, is that the gap between rent levels and tenant incomes has grown hugely and has been left unchecked over the past number of years. As a result, hundreds of thousands of tenants are in desperate need. However, as the provincial government has stated, welfare reforms alone have had cumulative savings of \$8.2 billion over the past five years. In the year 2000, annual expenditures on welfare were almost \$3 billion less than they were in 1995. This means the government is spending at least



\$1.5 billion less, approximately, in income transfers to low-income families for the shelter allowance component of social assistance each year. It is time to put some of this money back into the pockets of the neediest households in Ontario to ensure that they have access to secure, affordable housing.

In conclusion, I just want to say that each year the provincial government spends millions of dollars to manage or contain Ontario's rental housing crisis. The current response to the crisis, which leans heavily toward emergency services, in our view is just not cost-effective and ultimately does little to reduce the suffering of the thousands of Ontarians who cannot afford their housing costs.

1740

A universal, flexible shelter allowance program would allow the province to follow through on an election promise that has been overlooked for almost six years. More significantly, it would be the province's first new initiative that addresses a fundamental cause of homelessness and housing insecurity in Ontario: the mismatch between tenant incomes and housing costs. A province as wealthy as Ontario, in a country as wealthy as Canada, cannot permit close to half a million of its citizens to live on incomes that place access to a basic necessity and a fundamental human right in jeopardy or out of reach. Thank you very much.

**The Chair:** Thank you. We have approximately five minutes per caucus. I'll start with the official opposition, Mr Kwinter.

**Mr Kwinter:** Thank you for your presentation. You really touched on a very basic problem that we have. I see it every day in my riding. The reason I say "every day" is because I happen to be a Toronto member and my constituents have access to me every day. It's really heart-wrenching. I have people coming in to see me and they say they're seniors who are on fixed income. Their income is some 900-odd dollars a month and their rent is some 800-odd dollars a month. They tell me they've got less than \$100 to last them for the whole month for everything else they need.

The problem—and we heard it from the Toronto home builders—is that there is absolutely no incentive for a builder-developer to build rental accommodation. The land costs him the same, whether he builds a condo or whether he builds rental accommodation. The bricks and mortar cost the same. The services cost the same. Everything costs the same, other than he may put in more luxurious finishes because it's a condo and he wants to sell it. But the basic costs are there. If you divide the costs with the number of units, in order for him to get the kind of rent that makes it economically feasible, it's out of reach of these people, who can't afford it. So there's no way the private sector can come to the table. Notwithstanding what they said, that they're building condos that are being rented, they are for a sector of the community that can afford the down payment and then to carry it, but it can't address the problem you've identified.

The only way—and this is what the government kept sort of heralding when they went along, saying, "We're not prepared to put money into bricks and mortar. We're going to give it to the people as a shelter allowance." They've never delivered on that. I think that is a critical problem and it's going to get worse, because as we go along, more and more people are finding that they can't afford to live anywhere. They just don't have the income, so they take to the streets and we have the homeless. It's just accelerating at a very quick rate.

I'm almost disillusioned, because even the recommendation that you make, what you call this \$200 shelter allowance, might have some impact but is not going to go anywhere near to addressing the problem. Do you have any thoughts on that?

**Mr Fraser:** That's true. This would just be something we said would make it easier for people, but affordability problems would still exist. Unfortunately, it's gotten to such a level, that gap between incomes and housing costs, that it would be very difficult to completely close that gap, at least in the short term. That's why we suggest at this point sort of an interim measure of providing up to potentially \$300 a month to someone.

With the people we work with, that would make a difference. If someone is earning \$997 a month from Ontario Works and needs to rent a \$700 or an \$800 apartment, having potentially \$200 or \$300 a month will make a difference to that family. It won't remove their affordability problems, but we think it will make a difference, especially if this is done in conjunction with efforts to increase the supply of affordable housing, which is also desperately needed. I think we have to think of this as one component of a larger strategy to address homelessness and the housing crisis in Ontario. This has to go along with a bricks-and-mortar approach at the same time.

**Mr Christopherson:** I'm pleased to hear you add the last bit, because everything was focusing here on a subsidy program, when there is a good economic argument to make, given that the dollars you're spending and the dollars required ultimately to close the gap would be better spent building bricks and mortar. It's there for a rotation of people in need, and once it's paid for, like any other facility, the people of Ontario have paid for it, they own it and it becomes their asset. But you're right; we're not going to see that from this government probably at all, let alone in the short term. So I can understand why you've gone this way, but I was glad to hear you emphasize that at the end of the day that really is the prudent thing to do.

**Mr Fraser:** Yes, exactly. But I want to stress also that even if you look at the proposals that are made to increase the supply of housing in terms of the number of units to be made, it's not going to address the affordability problems of people in need. We're not going to build enough affordable housing. Even if we do the ideal number, for example, that the 1% solution is suggesting for the federal government, it's not going to build enough housing to deal with the affordability problems people

have. That's why we feel it has to be done in conjunction with income supports at the same time, to be equitable.

**Mr Christopherson:** Two quick things: I would imagine, given the growing number of people who are paying a greater percentage of their income for shelter—and it's amazing the numbers you've got: 85%, 90%—that's got to mean there are a whole lot of folks who perceive themselves to be in the middle class or were previously in the middle class who are sliding down. These growing numbers have to come from somewhere. I don't imagine that the super-rich in Ontario are suddenly becoming super-poor overnight. It suggests to me that what we're seeing is a draining of middle-class income into what we would call modest or lower income, ultimately into poverty. Is that your sense of things?

**Mr Fraser:** Definitely that could be one of the explanations. I also think we have to recognize that there were massive cuts to social assistance benefits in 1995 and that's had a huge impact on the affordability problems of low-income people in Ontario. Also, the reality is that a lot of jobs are being created in Ontario but a high proportion of those jobs are low-paying service sector jobs. More and more people are having to rely on a minimum wage income and support a family on a minimum wage income.

**Mr Christopherson:** Yes, and you've raised it. This is the first time ever that I can recall—I've been sitting in these kinds of hearings for an awful long time and three or four times now we've heard minimum wage raised as a key issue. It's just mind-boggling that the government refuses to accept the fact that they've got an obligation to raise that minimum wage at least to the level of where the American minimum wage is, as a bare minimum.

I also want to ask you about the role that eliminating—the government still says they have rent control, but you and I both know the reality is that it's not there. I would assume—and correct me if I'm wrong—that the reintroduction of real rent control would play a positive role in keeping prices at an affordable level?

**Mr Fraser:** We definitely believe that. We would support that. We feel that vacancy decontrol or the removal of rent control on vacant units has contributed significantly to the rise in rents that we've seen in the past years.

**Mr Christopherson:** Thank you. I can assure you we'll continue to do what we can, but it's good that you were here today making the case. A good presentation.

**Mr O'Toole:** Thank you, Mr Fraser, for your presentation and for your statistics. No one would disagree about the basic necessity of shelter and the importance of providing some platform of stability in one's life—a family or an individual—so you won't find any disagreement with that. The solutions and policies certainly will differ, but I suspect the rent control argument could be cast over the history and would say that we probably ended up with a decline of landlords or developers in rental property because of the controls.

There were issues. Infrastructure, balconies were in some need of repair, and they couldn't pass those real

costs on. Some of the revisions to rent control were intended to address that. I think you've mentioned that some of the numbers reflect the fact that if you stay in your accommodation, there is still a cap on rent increases. That's part of it.

**1750**

I have a couple of policy questions that you may want to respond to. I'm just going to go through them. Even when I wasn't in the room, I was in an office and I was watching and listening. The fact that municipalities on multi-residential have a tax rate that's higher than residential and it is consumed in the rent, and that factor is 1.4 or 1.6 times residential, perhaps you could look at that in some way that could provide relief at another level on the assessment base and spread it over other property classes. That's a choice that Mel and other municipal politicians have to directly affect the actual cost of rent.

Then there's the issue of paying rent and subsidies directly to the landlord, so you have these disputes of who gets the rent and evictions and the legal implications of costs. There seems to be some resistance to paying the legal subsidies or rents directly to the landlord on behalf of the social assistance recipient. Certainly if there was this translation of more dollars into rent subsidies, that would be one way of making sure it was spent on accommodation and shelter. That's not to question that people don't have other commitments, but certainly we've established that having proper and adequate and safe shelter is a platform or starting point.

The other thing is the whole issue of apartments in houses and being legal or non-conforming. I know personally in my area there are a lot of apartments in homes that don't fall into this market kind of dimension, and they do fill an important need, so you may want to comment on that.

My last remark, all looking for some response, is that I'd be alarmed if the \$200 or \$300, if that was the number that came out sometime—with the proper conditions I suppose something could and should happen. Would it not just pass on into the market rent equation? If landlords saw there was more money there—it gets consumed by the market pressures themselves. How do you suggest we somehow get into controlling so that we don't have a massive move? Say we wanted to subsidize a particular market. You mentioned that Ottawa was the worst for vacancies. What if we did put a special subsidy in there? There potentially would be an exodus of people to where they got the shelter subsidies.

So there are some policy questions all lumped together there—other than just a direct infusion of money.

**Mr Fraser:** With respect to your last comment, that's why I think this does need to be done in conjunction with supply side measures. Particularly in regions like Toronto and Ottawa, that have very low vacancy rates, a lot of effort will also have to be put in on the supply side to make sure there is an infusion of new rental housing so you don't get that problem that you're discussing.

What was your first question about?

**Mr O'Toole:** Multi-res tax rates.



**Mr Fraser:** Right, exactly. We support that completely and, again, we think that would be part of an overall strategy, that renters should not be paying at a higher municipal tax rate than homeowners. That makes total sense. We definitely support that and think municipalities should be charging multi-unit residential buildings at the same tax rate they are charging homeowners, and not at an inflated rate.

In terms of the idea of the rent supplement targeted to housing costs and being paid to the landlord, as opposed to being paid to an individual, our view is that housing is a fundamental necessity; it's not something people would really scrimp on. So we don't see it as being this big problem that people are going to get a \$200 or maybe \$300 housing allowance per month and this is not going to go toward making their life more livable, given the housing circumstances. It's not going to suddenly make people rich. I don't think that would really be a problem in terms of concern that this money is not being directed actually to housing costs. Again, given the fact that low-

income people's monthly income is just so out of whack with what rent levels are, I don't think you have to worry about it not going to the right place. I do think there is a concern about it being given directly to landlords, because of the issues you raised earlier. I think that is a concern and I also think it severely restricts the choice of the people who are looking for housing. It restricts their ability to find the most appropriate housing for them and locks them into the particular private units that would accept rent supplements or would have rent supplements.

**The Chair:** With that, Mr O'Toole, we have run out of time.

On behalf of the committee, thank you very much for your presentation. I would also like to thank all the committee members for being here on time and for the way we've handled the questions and conducted the meeting on time today.

This committee will reconvene tomorrow morning at 10 o'clock. We are now adjourned.

*The committee adjourned at 1756.*











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## **Legislative Assembly of Ontario**

First Session, 37th Parliament

## **Assemblée législative de l'Ontario**

Première session, 37e législature

# **Official Report of Debates (Hansard)**

**Wednesday 14 February 2001**

# **Journal des débats (Hansard)**

**Mercredi 14 février 2001**

**Standing committee on  
finance and economic affairs**

**Pre-budget consultations**

**Comité permanent des finances  
et des affaires économiques**

**Consultations prébudgétaires**

Chair: Marcel Beaubien  
Clerk: Susan Sourial

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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 14 February 2001

Mercredi 14 février 2001

*The committee met at 1002 in room 151.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning, everyone. I would like to bring the committee to order. I don't have any great announcements to make prior to the meeting this morning, so I think we'll proceed with the business that's in front of us.

CANADIAN FEDERATION OF  
INDEPENDENT BUSINESS

**The Chair:** We have representatives this morning from the Canadian Federation of Independent Business. On behalf of the committee, welcome, and could you please state your name for the record.

**Ms Catherine Swift:** I'd be happy to. My name is Catherine Swift and I'm president of the Canadian Federation of Independent Business. With me is Judith Andrew, vice-president of provincial policy with special responsibility for Ontario, and I'm sure she's known to you all. That is, after all, our job.

Thanks very much for the invitation to come and speak to you today, especially on Valentine's Day. Happy Valentine's Day, everyone, and I'm sure this will be its usual love-in as a result.

In any case, I've been here several times in this capacity, and at this particular juncture I'm supposedly an expert witness and my background is as an economist. so I'll be speaking largely from that vantage point. I know Judith has an appearance later, where she will be more directly speaking on behalf of CFIB, but naturally the small business perspective on issues will be what is directing my comments here today as well.

The outline of my presentation today—and there's a black-and-white copy of this PowerPoint presentation in your kit, just to let you know, as well as some other materials. I thought one issue that was pretty important to address was our changing economic times. I always, before I come here, look at what I said in previous years just to see if it bore fruit at all, and I was happy to see that some of the comments and predictions we made last year did indeed bear out with a very good year, for example, for the Ontario economy last year, a lot of healthy job creation, a lot of very positive activity in the economy generally and in the entrepreneurial small busi-

ness sector in particular. But of course now it does seem that we are getting that inevitable turn in the business cycle.

We collect data on an annual basis from our members on their outlook for the next year for their business and for the economy generally. We typically get about 10,000 members responding to that nationally and the Ontario numbers are, what, about—

**Ms Judith Andrew:** Five thousand.

**Ms Swift:** Close to 5,000, close to half of that, and just like the economy, about 40% of our members are in Ontario. So it usually gives us a pretty good perspective on what the small business community believes is [failure of sound system]. The small and medium-sized business community has been growing as a proportion of the overall economy now for over two decades and in fact now the small and medium-sized business community represents about half of the economy. It's a pretty good indicator of a big chunk of economic activity. I'd like to speak to those data that we collected late last year, and I'd also like to talk on a number of specific public policy issues that our members prioritize as their important issues for the next little while. I'd like to close with just some general comments on an entrepreneurial approach, not simply to economic issues but to public policy issues, to government conduct and in other areas as well.

One thing I should just mention by way of background is that there is a handout, just a one-pager, included in the package. "CFIB Membership Profile" is its title. It's just some background information on whom we represent across Canada and in Ontario, the sectoral breakdown, the demographics effectively of our small business membership, because I think that's often of interest to see who exactly it is we're speaking for.

Certainly all economists are attuned very closely to what's going on in the economy right now. There's no question we're having quite a slowdown south of the border and there have certainly been indications of a slowdown in Canada as well. We've had the longest period of economic growth in the 1990s since the post-Depression era, the post-war era, so we've had a pretty good run of it for the last number of years and I guess it couldn't last forever. But I think too we don't see our members as being horrifically pessimistic. We see them as fairly realistic. They are certainly seeing a slowdown happening, but they don't believe that it should sink into recession. It's always wise to remember that economists

are accused of predicting seven out of the last four recessions so sometimes you have to take a lot of these prognostications with a grain of salt.

One thing that's very important is that the so-called economic fundamentals are much different than they were last business cycle. Of course, no two business cycles are alike, so you can't by any means compare them, but there are some common factors that are worth remarking upon. In the late 1980s, as you might recall, we had high inflation, very high price levels in many markets, real estate being a notable example. Our interest rates were very high. Our Canadian dollar was 89 cents, which a lot of people forget now because it hasn't been there for a very long time. But in any event we had a lot of situations prevailing. Also governments were in very serious debt and running ever-increasing annual deficits here in Ontario as well as federally. Actually, moving into the 1990s, we saw tax increases, which of course was the most absurd way to deal with an economic turn-down, but as the economy slipped governments were so badly in debt because of stupid past practices that they had no choice but to actually increase tax levels. So we inflicted on ourselves a worse recession. We would have had a recession anyway, because it was global after all, but we certainly made it more painful for ourselves in the early 1990s here in Ontario and federally.

Again, happily we see here in Ontario, and across the country, for that matter, government debt in better shape. It has still not gone away, so we don't want to underestimate it as an issue, but it certainly is heartening to see, for example, in the last few days Ontario's credit rating upped a notch. Those things are always good. It means our cost of debt declines when that happens and naturally, the less we pay to finance our debt, the more we can direct that to more constructive uses.

Tax levels also have come down and we've always believed that was a necessary condition for good and enduring economic growth. We've seen them come down again federally and provincially, and we don't see inflation being anywhere near the factor it was in the late 1980s, although of course we've seen it bop up lately, but the sole reason has been energy costs. Again, it doesn't make it go away, but it's not an across-the-board inflationary growth activity that we're seeing here; it's very specific and it's due to factors that are different from your customary sort of inflationary push.

A number of the provincial policies over the last number of years will help cushion the impact of a slowdown. I mentioned that lower taxes are certainly a very positive thing.

1010

Something that hit our members extremely hard in the early 1990s was the whole payroll tax area. We harp on this constantly, payroll taxes, but we do so for good reason. Smaller firms are more labour-intensive than larger firms, therefore taxes levied on payroll hit them disproportionately harder. They discriminate against the smaller business community, the more labour-intensive community. As a result, the reductions we saw in EHT

back a number of years ago exempting those with payrolls under \$400,000 were a real boon to small firms and, we believe, one of the factors behind the very stellar job creation record of this province over the last number of years.

We believe now is a good time to contemplate increasing that threshold. I believe in Manitoba it's \$600,000. Is it still, Judith, or is it higher than that now?

*Interjection.*

**Ms Swift:** OK. Originally, we were actually looking at the Manitoba model because they had found that workable. We certainly feel that increasing that threshold should be contemplated now and the \$600,000 level of payroll is sort of a logical target to be looking at. We've got a number of information backgrounders in the package on various tax issues, just for your information.

Another area I want to mention is the leadership that Ontario showed in the capital gains area. Happily, the federal government followed suit and reduced the capital gains inclusion rate to 50%, as Ontario had already announced several months previous. That was obviously a very positive development that will help the business sector—and individuals for that matter, naturally—considerably as investment activity in Canada generally has actually decreased somewhat on the foreign direct investment side over the last few years. We certainly do need as many inducements as possible to keep our economy going in that respect.

The whole issue of confidence is also very important. Of course it's an intangible, but when we face the kind of doom-and-gloom headlines we've seen lately, there seems to be sometimes an overstatement of the negatives in the economy. Although I'm not saying they should be ignored, I think we have to balance them out.

Last year, the consumer drove the economy to a large extent in Ontario and should continue to do so. All indications are that there is a lot of pent-up demand in the consumer area, but naturally that can be spooked if people feel they're going to lose their job or something horrific is going to happen that's going to affect their family finances.

The same with business confidence, naturally. Even though a lot of our members are looking to hire, are looking to invest over the next little while, even though they have the money, they have the wherewithal to do so, if they take a hard hit in the confidence area, then they'll put off hiring that extra person, they'll put off making that investment, expanding that facility, whatever it may happen to be, and naturally, that has the self-fulfilling prophecy element to it. Although we can't ignore some of the negative signals we're seeing out there in the economy, we think people should take a more holistic view and see the many positives as well, and there are indeed many positives.

In terms of our members, they remain pretty optimistic about 2001. I should comment that these data were collected in late November, early December last year, so naturally views can change, depending on what's coming out. But we have a pretty good tracking system. We have



representatives out in the field every day. We interview across the country somewhere in the neighbourhood of 3,000 to 3,500 business owners every week, and we get the data weekly. I tend to feel that if there were really serious growing concerns about the economy from our membership, we would have heard about it in many ways by now. So far, that hasn't occurred.

It's also worth noting on the basis of this recent survey that small businesses in Ontario actually worked out to be the most optimistic in Canada with respect to their expectations for their own business.

This chart shows you the various provincial comparisons. As you can see, Ontario just nudges ahead of Alberta a little bit there in terms of its general optimism. This is what our members view. The sample for this survey was about 10,000 members nationally, by the way. As you can see, even in some of the lesser optimistic provinces the numbers are still not bad at all, but here in Ontario our members are quite upbeat about the prospects for 2001.

In terms of what they expect their own business to do, it's pretty comparable to last year. Of course last year was a very good year, as we know. Here you can see 2000 compared to 2001 and the numbers are really quite comparable in all the different areas.

When we look at the sectoral breakdown, again most sectors remain reasonably confident overall, but there you can see the financial sector, the real estate sector, manufacturing, business services. Community services are right up in the top few in terms of how they proceed. The primary sectors are at the lower end of the spectrum, albeit still not in terrible shape.

This chart shows the index that we compute. We've been running these data now—actually it's from when I arrived at CFIB, interestingly enough, that we started doing this survey. You can see over time how it has bobbed up and down with the economy. Right now, the latest computation of this index puts us just a little less optimistic than our members were for last year, but expectations remain quite high among small businesses.

We broke this down by Ontario region as well, just to give a bit of a basis of comparison. Again, not surprisingly, the more urban part of the province is more optimistic and northern Ontario again does usually bring up the rear. Nevertheless, we still see almost half of northern Ontario small business members expecting this year to be stronger. So the numbers are still by no means bad but a little weaker than southern Ontario and Toronto.

In terms of employment growth, as you can see, Ontario comes out as number two. I think it's important, of course, to recognize that these are always relative numbers. We're asking our members what they expect compared to last year. Of course, if last year was horrible, then saying they're expecting much better means something different than if last year was extremely good in some province and then they're still expecting things to be better.

Here Quebec, for example, which comes out the strongest in terms of their job creation expectations, came late to the economic recovery. As you may recall, they lagged other provinces by a good couple of years. We're seeing a lot of catch-up in Quebec right now, but I think the fact that after a very strong year in 2000, our Ontario members are number two—in other words, they're still expecting quite a good year in 2001—is quite interesting. In any event, just some other comparative statistics are there on that front.

We also always ask our members, "What would induce you to go further than what you're planning? If something changed in your environment, what would the factors be that would get you to create another job, for example?"

The first factor, the increase in customer demand, is really just a proxy for economic growth so, not surprisingly, a continuing strong demand situation would always be reason, but a lot of the other areas have to do with public policy, which we have more control over than the overall economy. That's not to say we have no control over the overall economy, but a lot of outside influences come to bear there as well.

The tax area is always an important issue for our members. Although those proportions have fallen somewhat over time as taxes have come down—our members have recognized and acknowledged the improvement in the overall tax environment—we still see the payroll tax area and the other taxes—in other words, pretty much most everything else in the tax realm—as neck and neck as the number two factor, still a very significant factor. I don't think we can feel we're finished yet with any kind of tax reforms.

The bank credit area is growing as a concern. I want to talk about it in more detail a bit later, but that's obviously up there as well as a concern. The firm's debt load, some of the elements of the firm itself can have some influence on interest rates. Although they are, relatively speaking, low now, reductions are always positive, naturally. Then some of the other factors which are clearly not as important are down in the lower part of the list there.

With respect to the action areas that our members would like to see prioritized, tax generally remains number one. Here in Ontario, of course, we have a huge property tax problem. We've had it for a long time. It hasn't improved. In fact, given some of the slanging matches between the Toronto politicians right now and provincial politicians, it looks as if things could very well get worse. We've done a huge amount of research on property tax that I don't want to really belabour here so much. But Ontario has a very disproportionately discriminatory property tax environment which discriminates against the small-business owner. This of course has evolved over many years of politicians placating where the most votes are—again, not surprising; that's a rational, I guess, decision from a political standpoint, but it certainly has negative impacts on the economic side. I don't think we want to clean out our small businesses from downtown cores. Those are things that have made

cities work, it's generally conceded, in Ontario compared to some other jurisdictions, say, in the United States and elsewhere. The whole property tax environment is very much a key component of retaining that mix in an urban setting.

1020

In Toronto right now, as you may be aware, if you take a comparable property of the same value, it's basically receiving the same value of municipal service and so on. Businesses face three times what residents pay. We know things are out of whack. They've been getting out of whack for decades and decades now. We applaud the measures to prevent it from getting worse that have been announced by this government, basically to not permit municipalities to widen the already wide gap between residents and businesses. We certainly encourage you to please hold firm with those views. We know that the problem isn't going to be fixed quickly. No group—residents, business, whatever—should be stuck with absorbing significant increases, but we just don't see how anybody wins by worsening the already wide discrimination against small businesses in that system.

Of course, the big chunk of the education portion of the property tax is something that the province also has complete control over now. We would certainly recommend, as I know Judith has done in her tax review panel work—a reduction in that area would certainly make a good start at trying to narrow the gap and make that environment more attractive and bearable for small and medium-sized firms.

The income tax area has seen some very positive changes here in Ontario. It seems, however, we're going to have to be fairly vigilant nevertheless about what our competitors south of the border are going to be doing over the next little while. We know they're talking about quite a significant further reduction in their income tax environment. So, again, I don't think we're done yet there, and remaining reasonably competitive with that environment is certainly something we're going to have to keep in mind.

The whole fuel tax area, of course, is horrific and is hitting everyone in certain sectors—transportation and what not—much more so than others. It was interesting, we did a quick little research project on looking at the margins of refiners. Refiners are making out like bandits these days. I don't know if you've seen the money, the kind of profitability. So all this talk about how it's these international OPEC prices, which, no question, have a role—but to pretend that that is the whole story in terms of what's going on with energy prices, it is simply not the case. We know you did do some research here and had hearings and so on to look at these prices. But some type of moral suasion has to be brought to bear by all governments on these energy companies, because they are robbing consumers of energy products in all areas, and the profitability is just outrageous. So there's no way just the OPEC increases are driving energy prices right now.

Also there's a good tax chunk, as we know, in all energy prices. We continue to encourage all governments

to have some concerted action together and look at what they can do on the tax front. It's not the panacea. Obviously, everybody hopes that this situation, the elements of it we have no control over, such as the OPEC situation, will mitigate itself in the next little while. It doesn't look like it's going to be any time soon, though, unfortunately, from all indications. But the tax area is something governments can at least back off on, to some extent.

We'll mention one of our perennial bugbears: harmonization of the GST-PST regime. It has been done in three provinces in the Atlantic region, as you know. We were pleased to see that after some typical transition pains, our members in that part of the country received that very positively. It continues to be something we hear spontaneously from our members in Ontario, and elsewhere in the country for that matter, that it is just an ongoing administrative cost that is a nuisance they don't need. In the days, as we have now, where governments do have more spare change around, this could be a good time to look at measures such as that and reduce the overall PST-plus-GST level on Ontarians.

The payroll tax area I've spoken to earlier, at least on the EHT front, although there are also workers' compensation—WSIB—premiums that are still higher in Ontario than they are in many other jurisdictions across Canada. We have seen some reductions and they have certainly been welcome and positive. We've also seen a very rapid decline in accident rates, which of course is hugely welcome. We've been working hard, for our part, with our members to foster continuation of that fortuitous trend. Nevertheless, we still have a very large unfunded liability in that area, and we also know that new areas are being looked at, industrial disease being one example of something, and other areas that could blow the system right out of the water financially if they are not approached extremely carefully. So we should see further reductions in premiums in that area. There is no reason not to, unless some of the overzealous types seem to feel that we need to use WSIB to address things that it was never meant to address in the first place.

The whole fee area continues to be a growth area for governments generally, Ontario and the municipalities in Ontario being no exception. It's simply another tax, of course. One of the documents in the package actually outlines a number of commitments that the Premier made on a number of different issues, and one of them speaks to fees. The commitment there was, first of all, transparency. If we don't know what we're doing with fees, which frankly no government seems to know—it's quite amazing how, if you even ask one department, "What are all the fees you levy from your department?" you'll never get a list. I don't think this is an accident, of course, because if you saw it you'd probably be ill. But if you don't know what they are, obviously you can't do anything about them. We're pushing all governments, by the way, across Canada and federally on this same front.

The number one step is that initially we need transparency. We need to know what these fees are, how



much they are being increased, or what has changed with them from year to year; and finally to not impose a fee—and Premier Harris did commit to this—unless it is offset by a tax decrease. Fees should not be another tax. User fees that are truly user fees are fine. If somebody is using a given thing, they should pay for it. There is nothing wrong with that principle, but of course we never see that. We never see taxes or anything go down when fees go up, so they end up just being another tax grab. Of course, the municipal area generally is a big concern right now in the fee department too, and there we would certainly like to see disclosure and more scrutiny.

This is a survey we did of Ontario businesses late last year as well. Which were the taxes or charges most harmful to businesses in Ontario? As you can see, property tax is number one, not surprisingly. Personal income tax and corporate income tax are pretty neck and neck, but it's interesting that personal income tax was ahead of corporate income tax, because those things sometimes switch places. Fuel tax has obviously shot up over the last number of months, not surprisingly, and then WSIB premiums and some other taxes are not far behind.

I want to speak briefly to the whole credit crunch possibility. We've been keeping a close eye on what our major financial institutions are doing. Ontario is in an interesting position. Surprisingly enough, it is more dominated by the Big Five banks than are other provinces. We don't have what we call a second tier. We don't have another layer of financial institutions that some other provinces have more significantly. Of course, the big banks dominate right across the country, but it's actually proportionately more so in Ontario than elsewhere. Since TD took over Canada Trust, and they were both primarily Ontario-centric financial institutions, it's naturally worse.

1030

Going back to the early 1990s, one thing we want to do is avoid what happened then. We had senior bankers tell us after the fact, after the carnage was more or less over, how the banking community overreacted horrifically to the downturn in the economy, especially in Ontario, and cut off businesses that shouldn't have been cut off. They were viable businesses and their credit lines were cut in half or eliminated, some drastic thing that drove them into worse financial straits than needed to happen or than otherwise was the case. Senior bankers told us this after the fact, and they always tell the truth, as we know. We thought this was happening among our members and we did in fact have it confirmed.

Since then things, if anything, have gotten even more stark in terms of the relationship between small firms and their bankers in the sense that we have fewer branches now. All of the institutions have been embarking on wholesale branch closings over the last number of years. This isn't a problem in downtown Toronto, per se, but it sure is a problem when you get out of the major urban centres. Some of our small business members have no bank in town any more, no financial institution in town, and even if they have one, of course that's the only game in town and then that institution can charge basically

whatever they want for services. Electronic services have filled some of the gap, but especially small business financing isn't easily cookie-cut. Some elements of their financial dealings are, but a lot of them really do need some kind of human judgment brought to bear.

We're actually soon going to be making a presentation before the federal finance committee on the banking legislation that's been reintroduced, as you're probably aware, federally, and we'll be making some of these same points. But what we're concerned about is that, if anything, the relationship between the small business and the lender is even more automated now than it ever used to be. There's much less of a human element, much less of an element of the individual you know in your community actually making the decision about your business; in other words, the person who's probably best informed about your business and therefore in the best position. Credit scoring is used more and more, which is a very arithmetic formula: should this business get this loan or whatever? Figure out the numbers—no subjectivity any more, and yet at the same time the banks are talking about so-called relationship banking. You can't have a relationship when all you are is a few numbers on a page. We see this as a real negative for small firms and we're very concerned, with the coming slowdown of whatever magnitude, that we will see a repeat of what we saw in the early 1990s, and maybe even a worse reaction on the part of the financial institutions, of cutting off small businesses. This will have a big effect on the economy.

We also see bank mergers being talked about more and more in the press every day, and this federal legislation is seen by some to facilitate such things. We still have a big problem with bank mergers because we simply do not have a competitive alternative at all right now in the marketplace to the Big Five in most instances, and of course in Ontario it's worse than in most places, interestingly enough, even though we have a lot of branches around, certainly in the urban areas, but again they're all pretty much dominated by the Big Five banks. Again, we hope this doesn't happen, but we think it bears close scrutiny because it's unnecessary negativity in the economy. It doesn't have to happen, it shouldn't happen, and we're just concerned that it may yet again.

Just to summarize, looking at small business priorities in Ontario compared to the rest of the country, we do this surveying regularly with every member once a year so we get a tracking over time. The tax burden overall has decreased as an issue but it remains number one and, as you can see, in Ontario it's actually higher than the national average. Government debt and deficit still is a very important issue and I think rightly so. We saw what happened with our big debts and the deficits that added to them for years and years, and our members remain acutely concerned over debt and the need to pay down debt so we don't get into that jackpot again.

I just want to make a couple of comments about EI federally. I think Ontario has been a constructive player in keeping the pressure on federally to do something constructive with that large surplus that is growing. You



might have seen one of the issues that hit the media recently which we have been harping on for years: that employers do not get rebates when they overpay. I'm sure we've been in the situation on our personal income tax where some year we might have overpaid our EI amounts and you get a refund. The employer can overpay. If they hire somebody for six months of the year and then that person leaves the job and they hire somebody else, they'll actually pay a full year's worth for two people. In other words, they've really paid for two when they've only had two halves of people working for them and they don't get a rebate. This amounts to, the last numbers we saw—it's over \$1 billion anyway, major bucks involved here. I think it was \$1.5 billion across the country. We put a handout in the package about this. So there is one with further detail in the package on this.

Anyway, this is a real inequity, to our way of thinking. Why shouldn't employers get reimbursed? Basically the answer is usually, "Because we need the money." That's the usual response, but that isn't good enough. There's no way people should be paying more. As we know too, we've got a huge surplus, notionally anyway, building up in that fund. So we would encourage the Ontario government to keep the pressure on the feds to reduce premiums on EI and also approach some of these other issues, such as permitting employers to get a rebate of the premiums they overpay into the system.

Just moving down to some other issues, we continue to hear about the shortage of qualified labour. We're actually going to come out with a major release next week on some data on the shortage of labour. With an unemployment rate nationally still just barely under 7%, and somewhat lower in Ontario but still much too high, there clearly are some huge structural problems in the workplace when so many of our members can't find people, and that includes provinces that have major double-digit unemployment, even in some of the Atlantic provinces, for example. So we're not just talking about there being a shortage of bodies; it's a shortage of the right skill matches, a shortage of people wanting to work because social assistance is sufficiently OK to induce people to not want to work as a result, and of course there are education issues. There's a whole plethora of issues there and no one simple solution. But I think in the future to see those gaps and to see people unemployable is a very serious social problem as well as an economic problem.

A couple of other brief issues—the whole area of technological change: We've been doing quite a bit on it as an organization. On our Web site there's quite a bit of information. There are actually courses we offer to our members on things like e-business and how important these elements are going to be to business currently and naturally in the future. Something we've been recommending to all governments is putting in place measures that can be sweeteners. There are a lot of different ways to do it. The federal government did something we thought was very positive. Well, we recommended it so of course we thought it was positive. With the Y2K issue,

as you may recall, they accelerated the capital cost allowance. It wasn't big dollars at all out of the treasury. It just sort of changed the timing of a lot of tax deductions, because this was accelerated, but it was hugely positive and it was directed only at small business too. That was to help businesses get ready and counter any potential Y2K-related problems.

We see the possibility of measures that somehow would give somewhat of a tax break to small firms to get into the world of e-business as also something that again I don't want to belabour here, but something governments could contemplate. We know a lot of our members are currently hooked up to the Internet generally and are using it actively for e-mail, with Web sites and so on. We have a piece of research in the kit here on our latest data on how many members are indeed connected and what they're using it for and so on. But e-business, there's still a real scepticism about whether that investment is going to be worthwhile. So we feel there's a way to go there to change attitudes and to induce people to prepare their businesses.

The whole issue of co-operation with other levels of government we also feel is extremely important. There are so many areas that our governments just seem to be at loggerheads over. We see now a proliferation of privacy legislation across the country: something at the federal level; there has to be something at the provincial level. Why can't governments get together? I think that's a pretty good example but there are many others. We just don't see why. It seems logical to have just one thing apply instead of everybody, for goodness knows what reason, having to go and do their own thing. The whole interprovincial trade area is still a big area of stupidity in Canada, that in many instances we can trade more liberally with states in the US than we can with neighbouring provinces in Canada. There doesn't seem to be much of an agenda there to push that. We've been trying to push it but, again, everyone is in their little fiefdom and doesn't seem to feel that's much of an issue. It's a bad economic inefficiency in Canada that we all suffer from. We underrealize our potential as an economy because of issues like that.

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Another area is the whole area of health. Finally, there have been some positive moves to harmonize data on health care systems. We know there are some huge issues in that whole policy area right now that are very important to deal with. But again, we need the data. We need to know what we're talking about. We need the facts and we need to be able to compare them. Some good starts have been made there, but a lot more progress could be pursued on that front, too.

Those are just some examples. It just seems infighting among governments often, in this country, causes more problems than a lot of other things.

Finally, just to wind up, something that we've felt is a very positive theme for any government, any policy and any economy, really, is entrepreneurship as a concept. The principles of entrepreneurship are self-reliance,

independence, wanting to make a contribution to society over and above simply making a buck or getting by from day to day. We see it in our membership every day. We feel an entrepreneurial thrust couched in those kinds of conceptual ways is a very positive way to look at the future. I think a lot of governments right now are looking at how we as a country, as a province, cope with the enormous changes that we're seeing in technology, in relation to other countries around the world, in our trading relationships and in our society generally.

Entrepreneurship is a very inclusive concept. Anybody can be entrepreneurial. It's not exclusive to any one group or anything. Canadians, interestingly enough, have a pretty good record as being quite entrepreneurial, but we think we could see a lot more promotion of this in public policy; in other words, not to promote policies that encourage dependence but ones that encourage independence, helping people get the jobs that are good jobs, for example, not simply having stop-gap measures. The recent loosening of employment insurance rules federally was a huge backward step, just ridiculous. We'd actually heard from our members in high-unemployment parts of Canada that they were finally finding people who wanted to work for more than four months. Now they've backed off on some of those. So very negative, backward-looking policies.

The area of tax administration is a huge issue for us. Here in Ontario we see the bureaucracy. It's one of the worst in the country that we have ever seen, and why, we're not sure. We're not sure if it's because they're in Oshawa and they're just far enough away that anybody centrally doesn't keep close enough tabs on them. We're not sure what it is, but our members face some officious absurdities from some of those bureaucrats.

We had an interesting case recently come up on retail sales tax. A member mailed in their monies; they're basically acting as tax collectors for government. This isn't even you paying your taxes as an individual, which we certainly always advocate, that people obey the law. This guy mails it in, it gets there a day late and he gets fined \$1,000; never had an offence before. That kind of stuff is garbage and just shouldn't be happening. If somebody is flouting the law, fine, nail them. But that kind of stuff just makes our blood boil. Like I say, the tax administration bureaucracy here in Ontario is one of the worst in the country, and it needs action.

I know Judith has been working with some colleagues on things like a taxpayer's bill of rights and so on. It is achievable. We've seen it happen with others. We've seen it happen federally, interestingly enough, with the former Revenue Canada; now with the revenue agency, the jury is still out a little bit. We know positive change can be made, but why don't we promote a more entrepreneurial approach in the whole government sector as well?

Issues like union-only procurement: why, when we amalgamated municipalities in this province, did we suddenly broaden the whole notion of union-only procurement in the public sector? In the private sector, fine. The private sector can do whatever it wants; it's their

own money. But to take one small business's tax dollars and then issue some kind of procurement contract in the public sector and say, "No, you can't bid on this contract because you're not a unionized company"—and we had many businesses that previously had had many years of service to school boards, to municipalities, whatever, in contracts. Suddenly they were cut out from being able to bid on those contracts that they're paying for with their tax dollars, another outrageous disgrace, in our view, and something that the province could act on. Certainly in the municipal domain we could see some action from the province.

Anyway, we feel I should close; I've yapped for more than enough time. But we certainly feel this whole notion of couching things in an entrepreneurial mindset probably provides our best chance to help prepare us in this province, and this country, for that matter, for the kind of rapid-paced economy, technology-driven life that we see in the business area and, frankly, in our lives in general for the next number of years. Thank you very much. I'd be happy to try to answer any questions.

**The Chair:** We have approximately four minutes per caucus, and I'll start with Mr Christopherson.

**Mr David Christopherson (Hamilton West):** Thank you very much for your presentation. Again, nice to see you. You mentioned the e-business. I just wanted to pick up on that, because I know every community, mine included, Hamilton, is doing everything it can to promote e-business. We've actually gotten ahead of many other municipalities across Ontario in terms of fibre optics. We're getting the infrastructure ready. We hear that there's still a lot of reluctance on the part of small business. What role do you think the Ontario government can play in easing that transition into e-business?

**Ms Swift:** None of these things ever end up being big-ticket items on the public purse. But the notion of recommending some type of corporate income tax credit, for example—again, we can talk about how that should be structured or whatever—we don't really like the notion of special treatment. Tax systems should be as equitable as they possibly can be. We feel that's the way they work the best, and once you start giving one little group special treatment, then others should get it and the whole thing gets complicated and messy. We certainly think that the Y2K example that took place federally was a huge success and, like I said, didn't cost much, but that's a possible model that could be looked at as well.

Of course, the crash of all the dot-coms was in a way unfortunate. Everybody knew things weren't going to go on forever, but a lot of people who didn't really understand why that happened turned off or became very skeptical of the whole area of "Should I invest?" This is going to cost money and time. For any business, it's going to cost money and time. Your five-person firm, which is your average small business out there—it's not huge—needs some kind of inducement.

We've found that even though it doesn't have to be huge dollars, putting something into the tax system gets people's attention on the one hand. It has an education



value as well as they save a bit of money. But the education value probably is worth as much or more than even the money they save because it alerts them: "There's a tax situation I should be taking advantage of." Have it time-limited; of course, the Y2K was a time-limited phenomenon. It was time-limited, so it didn't run forever. We surveyed after the fact, and we found out 94% of our members were aware of Y2K, which is a hugely high number. It shows you what kind of success you can have with something.

I think you need to have your tax specialist thinking about how you can structure something like that that would be workable.

**Mr Christopherson:** The other issue I wanted to pick up on was the shortage of skilled workers. We heard it yesterday in the construction industry. I had already heard about that. That's a large issue, and you hear it from many different places, but I hadn't heard that small business per se was having trouble hiring the right kinds of skills. So I'm curious as to what kinds of skills they're looking for that aren't there—is there a trend?—and recommendations on what we ought to do to ensure that we have that kind of skilled labour.

**Ms Swift:** You're going to have to wait a week. We're actually releasing a very detailed report, a week today, it just so happens. Judith will be before this committee—

**Mr Christopherson:** This is not like a cheque in the mail sort of thing?

**Ms Swift:** No, it isn't, but we can't scoop ourselves.

**Ms Andrew:** I'll be here a week today.

**Ms Swift:** We're just actually finishing all the nuts and bolts of the report. But in terms of some general conclusions, it's not any one specific area. We do hear about computer skills or construction. You do hear about trades. Yes, we've heard about those, too, but we've heard about everything. We've heard about entry level, right across the board. It's amazing how broadly based this concern is.

Again, there's no one solution by any means. But I think there are education-system-related solutions. There are private sector and public sector training solutions. We've been working with the Provincial Partnership Council here in Ontario in terms of school-to-work transition, easing. There's a whole range of things that could help. Maybe that's what makes it hard, because there is no silver bullet, you know. It's not that easy. It may be more inducement to firms to train, although there already is a fair bit of activity in the training area. But some of it is quite attitudinal, some of it is willingness, hiring somebody at the entry level who basically doesn't really have a lot of job-specific skills but they're very willing to learn. And these are value sets that, again, you could see the education system having a constructive role in.

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It's not an easy one, because it is so broadly based and there clearly is no simple answer at all. But we're going to be releasing quite a lot of quite specific data, sectorally and regionally, next week.

**Ms Andrew:** By occupation.

**Ms Swift:** By occupation, yes. So we've just aggregated the data quite a bit.

**Mr Christopherson:** Thanks a lot.

**Mr Ted Arnott (Waterloo-Wellington):** Thank you very much for your presentation. My colleague Garfield Dunlop has suggested to me that we should offer our thanks to you and your members for the something like 800,000 new jobs that have been created in Ontario since 1995. I think too often the politicians perhaps take credit for that number, but really it's largely the small businesses of the province that have created those jobs. So if you would please accept our thanks on behalf of your membership, we would appreciate that.

**Ms Swift:** We'll convey it to them.

**Mr Arnott:** I want to ask you about provincial debt, and we've heard again that the provincial debt is about \$112 billion. All three parties have been party to increasing that debt load. I think it's fair to say that the Liberal and the NDP parties have shown a greater tolerance for deficits and debts over their administrations than our government, but certainly our government has been in charge when the deficits have been in the province and debt has increased.

Do you think that your members think we have done enough to reduce the debt level in Ontario over the last five years, and should we be doing more?

**Ms Swift:** No, I don't think they do, and the chart that I have there in the package show that the deficits and debt are still a huge issue. We've seen it trend down a little bit over the last few years, but in a way it's maybe come down less than we would have thought, to tell you the truth. Our members were worried about the debt 15 years ago when a lot of people were saying, "Oh, we only owe it to ourselves." I remember those dumb arguments back then.

**Interjection:** That was the NDP.

**Ms Swift:** It wasn't even one political party. We heard it from a number of different quarters. I remember even some bank chief economists saying dumb stuff like that. It was just so incomprehensible and yet people thought you were really out in nutbar territory if you said, "Do something about the debt." Then with the miracle of compound interest, also the curse of compound interest, we saw it go kerflooie there in the late 1980s, and of course everybody had to act on it. They had no choice.

No, I don't think the government has gone far enough. Our members obviously still prioritize it right up there, and not just in Ontario but right across the board, federally too. They feel, again, it's nice to see things at least going down a touch. They're not going down enough. It hamstrings us for the future.

**Mr John O'Toole (Durham):** Thank you. If I may, just a quick question. You mentioned, and one of your slides included, some of the inhibitors in terms of small business challenges, and I want to focus on one area specifically in the tax factors. I know historically we've had, and you've mentioned, the employer health tax and other payroll taxes. Even in your presentation you recog-



nized that the government has in its own direct way tried to intervene in that and also tried to intervene with the capital gains leadership. You have acknowledged that. WSIB, of course, there was a significant stranded debt, if you will, that has been argued about for a decade. I think we've dealt with that. Rates have come down something in the order of 29% on average. There's more to be done. That's the general thrust of our message.

More recently, and I think you mentioned it, what is more technical is the issue of municipal tax. I know I'm getting a lot of push back right as we speak with respect to the issue of the commercial or non-residential tax rate, and you did mention that briefly. But I think for the record, we've intervened with respect to controlling the educational portion and indeed reducing it, as you know, in the last budget, and I'd like you to comment in a very specific way to what the shift is from. Who pays for what at the municipal level? And there's the invisible, non-voting business person in that they pay residential tax as well somewhere. How can we shift that burden, and is average capping the right way to go? Do you understand?

**Ms Swift:** Yes.

**Mr O'Toole:** Because it obviously has to go somewhere. That revenue just has to go on to the residential side. I'm fighting that on a daily basis because residents on the same side say they're paying enough.

**Ms Swift:** Sure. Of course. Nobody ever thinks they're paying too little tax. That's part of the problem. You can theorize all you want, but even if the multi-millionaire in Rosedale is paying a quarter of what the person with the modest house in Scarborough is paying—that's my mother, the person with the modest house in Scarborough—they're still paying plenty—right?—in fact, probably too much. But that is the reality.

Why has it gotten so bad? Because those are the political realities. Of course, the majority of the votes are going to strongly influence a politician's decision-making.

How do we do it? I think we have to do it awfully slowly, which is one way to do it. Another way: there's still a huge amount of waste at the municipal level. We haven't even commented on this, but we're sort of assuming there's no potential for spending reductions. Provincial governments have found ways to reduce spending. I think municipal governments can find ways to reduce spending too.

We still have things like union-only procurement, which I mentioned earlier. That adds costs. I hear school boards and whatnot beefing about the fact they have no money. They're not willing to take measures that will cut their costs, so they lose credibility as a result. Municipalities are in the same boat.

The whole municipal area is so hugely complicated, of course, it's unfortunately subject to a lot of misperceptions. The whole shift of responsibilities is usually who pays for what? We know a lot of municipalities ended up with more money in their till, but do you think they'd admit it? Of course not. They were pasting the province.

But it is a whole messy area and there are no easy solutions. I guess all we can say is that we don't see the growing inequities. Again, this government has tried to at least stop the growth of the inequities and now we would like to see a slow, managed reduction of it. Judith, sorry, do you want to—

**Ms Andrew:** I just wanted to add that the principle in Bill 140 of moving the municipal portion to a gradual rebalancing is a positive thing. You should build on that; you should definitely stick to your guns on that if there are any municipalities that are trying to get around that one.

The other side of the equation, the education portion which the province controls, seems to us to be the best bet for trying to get some more relief to the business sector because the imbalances are just dreadful. Our study that we produced, called the Property Tax Overdraft, looked at 25 municipalities. We've bumped that up to 70 now.

That's all available on our Web site, so for every one of your ridings that you represent you can look at the imbalances between the residents', the commercial property and the industrial property. They're just horrendous. They're holding back economic activity locally. That is jobs for those residents, so in a roundabout way you're helping your resident voters.

**Mr Gerry Phillips (Scarborough-Agincourt):** I've got two questions. I'll try to get them both in. The first one follows up on what you just talked about. I read your study and, on the property tax, was slightly surprised to find that businesses in Ontario pay more provincial property tax to the province for education than they do to municipalities.

In other words, in Toronto, Mike Harris collects more property tax from business than Mel Lastman does. That was the first thing that surprised me. While municipalities seem to take the heat from businesses on property tax, Mike Harris has a higher property tax rate than the municipalities.

The second thing that surprised me was the disparity across the province. If you're a business in Toronto, according to your numbers, that is assessed at \$200,000, you're paying Mike Harris \$10,000 in property tax for education; if you're in Mississauga you're paying \$6,000; and if you're in Parry Sound you're paying \$2,000—identical businesses assessed at the same rate, all set by the province, nothing to do with the municipalities. Mel takes a lot of heat but Harris is raising more property taxes on businesses than Mel is. What's your recommendation on a solution to that?

**Ms Swift:** I think Judith just gave it. We see the province in a very good position to be able to reduce that which they are solely responsible for.

You might recall—I'm sure you do, Gerry—the whole education thing was such a big debate, because we know it's very inequitable across the province, but harmonizing or somehow equalizing obviously would be undoable.

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**Mr Phillips:** Let me try and get my second question in.

**Ms Andrew:** You can't have a uniform rate for business across the province, as much as that might seem appealing, because that would be sharing the high-tax misery with the other people. What you need to do is buy down that education rate in the higher-taxed area.

**Mr Phillips:** My second question is on tax policy. I carry around with me the "Why should you invest in Ontario?" It talks about our remarkable health care and education system, publicly financed and open to everyone, and that the United Nations rates Canada as the number one jurisdiction in the world to live. The reasons for that, as you probably know, are life expectancy at birth, adult literacy and educational enrolment. The province talks about the substantial cost advantages to businesses to locate in Ontario: a \$2,500-per-employee cost advantage on the health care versus the US.

Those things cost money. A \$2,500-per-employee cost advantage, the way we fund health care, costs money. I think you said corporate taxes have to be lower than the US, or certainly the government is committed to 25% lower than the US corporate taxes.

**Ms Swift:** I think competitive, anyway.

**Mr Phillips:** Income taxes have to be. Where does your organization recommend we find the money to fund our health care system if it's not in the corporate tax side or in the personal income tax side?

**Ms Swift:** I think it can be in the personal income tax side to some extent.

**Mr Phillips:** If it's at the US rate?

**Ms Swift:** You can't have direct comparability. That's why we always say a "competitive system," competitiveness. It depends on the whole tax mix. The capital gains is one area, because of the international investment flows and the amazing facility of that in this day and age, where I think you're going to have to be pretty darn close rate-wise because that is something people put an eagle eye on. In terms of the overall tax mix, we've got some flexibility, but if you get too much out of whack, you're definitely going to have some competitiveness problems.

Right now we've got a dollar that, the last I heard, sank another 30 basis points overnight or something like that. We've got a really low dollar. That should compensate in our economy generally for some major productivity thrusts that we haven't seen enough of, in my view. Hopefully we should see them over the next couple of years and that should help our economy along.

The notion that it exclusively has to come from any one component of the tax system I don't think is necessary. You can debate parts of the mix and how they have to be comparable, but the overall environment has to be competitive.

You talk about education generally, as well. We seemingly are still viewed that way by some of these international comparisons, and yet our members see huge problems with the education system. So I don't think we should ever think we're doing well enough, even though,

yes, it's better than many Third World countries, and yes, we're doing better than other countries in some respects. But to say of our education system and whatnot that we can relax, I don't think anybody believes that anyway.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

## CANADIAN AUTO WORKERS

**The Chair:** Our next presenter is a representative from the Canadian Auto Workers. Could you come forward and state your name for the record, please.

**Mr Jim Stanford:** My name is Jim Stanford. I'm an economist with the Canadian Auto Workers union here in Toronto at their national office. You are familiar with the CAW. It's the largest private sector union in Canada and about two thirds of our members reside and work in Ontario.

I'm going to address the focus of my presentation today on the issue of taxes in Ontario and discussion about further tax cuts. I will slightly address issues about the general economic outlook. I'd be happy to get into more of that in the question and discussion period, especially regarding the situation in the auto industry and where the industry is headed over the next couple of years.

In talking about the tax cuts, I'm going to take a slightly different approach to the whole issue. We've obviously had some real arguments in Ontario over recent years about whether tax cuts are a good idea or not. There are strongly held views on either side and those views will continue, but both sides in that debate have generally agreed that taxes have indeed been cut in Ontario. But based on the recent number crunching I've looked at, I'm increasingly curious and skeptical about whether or not there actually has been an effective tax cut in Ontario. That raises issues about whether Ontario's recent economic success, which since 1997-98 has been very strong, can be attributed to tax cuts if we're not sure that tax cuts actually occurred.

I apologize for drifting off the side of the screen there, but folks have the hard copy in front of them if they can't see it on the screen.

The standard story about how to explain Ontario's very strong economic performance—and it was strong by any measure in terms of employment growth, income growth, exports, business investment, really across the board, with the exception of public sector activity—the typical story from the provincial government would go something like this: tax cuts spurred strong consumer spending; a combination of tax cuts and the welfare cuts spurred an incentive to work, pushing and encouraging people at the same time to go out and get a job; the businesslike attitude, a more favourable attitude toward investment and business, spurred more business investment. Then, the argument has been, if we're concerned about a slowdown in that economy, in that strong growth we've experienced, what we need are still more tax cuts to do the trick. We've had suggestions from the Premier



and others in government that in fact those tax cuts may be accelerated in order to offset the concern about economic weakness.

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Looking at the evidence, though, even though there have obviously been significant cuts to statutory tax rates in Ontario, particularly in the personal income tax system, it's not at all clear that tax cuts have really made a mark in the macroeconomic data regarding effective tax rates, that is, the taxes that are actually collected by government. In fact, on average, I'll show you that average effective personal tax rates in Ontario have increased during the period of the Harris government. That's the taxes people actually pay measured as a share of their personal income.

It's very hard to argue that tax cuts have had any impact on the strongest sections of the economy, which would be investment in export-oriented industries like auto, because those industries don't sell very much of their output at all in the Ontario market. Therefore, it's especially doubtful that further tax cuts could prevent the fear of a recession, although I personally tend to agree with the finance minister's comments yesterday that concerns about a recession have been overstated.

Let's look at the increase in total direct personal taxes as a share of pre-tax income in Ontario. For 1999, the last year for which we have full data, federal, provincial and social security payroll deductions collected a total of 24% of pre-tax personal income in Ontario in 1999. That is a modest increase from the figure in 1995. The average effective direct tax rate in Ontario in 1995 was 22.7% of personal income. That, in turn, was higher than the 21.9% effective rate that was collected in 1992.

That modest increase in the average effective personal tax rate paid in Ontario reduced the disposable incomes of Ontario consumers in 1999 by about \$4 billion, compared to what their disposable incomes would have been if effective tax rates had stayed at their 1995 level of 22.7%. The first figure in the handout shows the increase in that average effective personal direct tax rate in Ontario rising from below 22% in the middle of the last recession to just under 24% today. The difference between average effective tax rates collected in 1995 versus 1999 would have reduced \$4.2 billion worth of disposable income for consumers. So the notion that Ontario consumers have been on a spending binge—and consumer spending has grown strongly, by \$40 billion in the province between 1995 and 1999—and that that boom in consumer spending is attributable to tax cuts in Ontario isn't sustainable, because average effective tax rates have actually grown.

That's a combination, of course, of the provincial income tax, the federal income tax and the payroll taxes. Of those three, it is provincial income taxes that were cut most aggressively in terms of the statutory rates, but even for provincial income taxes, there is no evidence that effective taxes collected in Ontario at the provincial level have declined as a share of personal income in the province. In 1999, again, the last year for which we had

data, the average effective provincial income tax rate in the province was 5.5%. In other words, provincial income taxes collected 5.5% of pre-tax personal income. That is down very slightly, from 5.8% in 1995. So there was a very slight decline in the provincial income tax component of the total tax bill facing Ontarians, but that was more than offset by modest increases in the federal effective tax rate, plus the increases in payroll taxes, especially CPP premiums, that we have also seen.

The personal income tax at the provincial level, that cut in the effective rate from 5.8% to 5.5% in 1999, increased disposable income by about \$689 million. That's the difference that consumers had in their pockets thanks to that tiny fractional decline in the effective rate from 5.8% to 5.5%. Again, that \$689 million was more than offset by the increased tax payments to the federal government and on payroll deductions. So the impact on final consumer spending must have been virtually negligible.

I stress that this is not what some economists refer to as a Laffer curve result. You are familiar with the argument that's been made by proponents of aggressive tax cuts if you aggressively cut the tax rate, the actual nominal dollars of taxes that you collect could stay the same or even grow because of the new business activity that's spurred by the lower tax rate. This is not what we're seeing here, because the evidence shows that there hasn't even been a cut in the effective tax rate, so we can't argue that it's because the lower tax rate has spurred all this business activity. Nominal tax revenues have actually grown very strongly in Ontario and, again, that would be largely because of the overall economic expansion, and it hasn't even been offset to any significant degree by a decline in the rate of taxes that is collected on that income.

The next figure in the handout shows the striking stability in the average effective personal income tax rate collected by the Ontario government. Again, this is provincial income taxes at the personal level measured as a share of pre-tax personal income in the province. Through the different administrations, and if you continued this line back to the late 1980s, you would see whether it was a Liberal provincial government, an NDP provincial government or an aggressively tax-cutting Harris provincial government, every one of them collected about 5.5% of pre-tax personal income in the form of personal income taxes. That's quite striking, quite remarkable and goes against the kind of dominant debate we've had over whether or not tax cuts were a good thing. In fact, at the ground level, where the rubber hits the road, where people actually pay, there is no evidence that there's been an effective tax cut, even at the provincial level.

If there hasn't been an effective tax cut at the end of the day when people are paying their taxes, how could that tax cut explain the boom in consumer spending? Remember, the increase in the total personal direct tax bill, provincial, federal and payroll tax deductions, reduced disposable income by \$4 billion in the province



between 1995 and 1999. That is a combination of a very slight reduction in the provincial share of that by less than \$700 million, more than offset by the federal and payroll tax increases and likely offset by the other tax payments that individuals are paying that aren't reflected in the personal income data—things like user fees, things like municipal tax rates and so on—which have increased in Ontario at the same time.

Even that \$700 million that at the most you could argue consumers had in their pocket thanks to the Harris tax cuts, that \$700 million is 0.3% of consumer spending, less than 0.2% of Ontario's GDP. So to argue that it was an important factor in the evolution of Ontario's economy over the last five years is stretching it.

This graph shows a comparison of the changes in the different elements of the personal income and expenditure account. There has been a very strong increase in consumer spending in the province, up by \$40 billion in five years, and that has provided a huge boost to the domestic economy. Again, I agree with the finance minister's comments yesterday that most of Ontario's growth over the last three or four years has been rooted in the domestic economy. The exports have helped, but most of it has come domestically, and this huge boost in consumer spending is a big part of it.

Note that the increase in pre-tax labour income—this would be income from employment, wages and salaries in Ontario—virtually matches that increase in consumer spending. The increase in pre-tax incomes of Ontarians virtually explains the whole increase in consumer spending. There has also been an increase in other types of income on the whole in the province, including investment income, self-employment income and so on—much smaller.

The overall change in disposable income as a result of the total tax burden on individuals—that's provincial and federal income tax and the payroll deductions—has served to reduce disposable income by about \$4 billion, so it's been going against the flow, actually. Despite an increase in the average effective tax burden on Ontario citizens, they're still spending a lot more on consumer goods. The share that can possibly be attributed to the provincial income tax cuts, that decline in the average effective rate from 5.8% in 1995 to 5.5% in 1999, that's less than \$700 million, and that's the \$700 million indicated on the graph.

To argue that this little sliver of an effective tax cut is driving this boom in consumer spending is simply not sustainable. I know that there are some Keynesians in the Harris government here. I know it from their talk about fine-tuning the economy through tax cuts and helping to offset the economic slowdown with proactive government stimulus, but not even the most militant Keynesian could ever argue that this little sliver could drive that boom in consumer spending. If you were to calculate a multiplier effect by that ratio, you would have to say each dollar in effective tax rate delivered by the provincial government generated \$70 in spending by consumers. So that's a 70-to-1 multiplier that's implied by the argument

that personal income taxes in the province explain the consumer spending boom.

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How do you explain the boom, then, if not by reference to the tax cuts, which people argued about but most of whom accepted that it was there? I'm arguing that perhaps we shouldn't assume that tax cuts were driving the development. After years of stagnation, after this prolonged recession in the early and mid-1990s which had virtually nothing to do with provincial policy, either pro or con, employment and labour income in the province started growing rapidly, starting later in 1997, and 1997 was the time that the recovery really kicked into gear. That was when the fallout effects of the fiscal cut-backs at the federal level, and to some extent at the provincial level, were by and large over and the economy was being driven by low interest rates, export growth and, finally, the expansion of domestic spending.

The growth in pre-tax labour incomes, as I stress, fully explains the strong surge in consumer spending. The tax cuts of the provincial government are hard to even see in the macroeconomic data. In fact, the total provincial government tax take has grown as a share of provincial GDP in Ontario in 1999, reaching its highest level in the whole decade, reaching up to almost 16% of provincial GDP. So you've seen a stability in the effective personal tax rate as a share of personal income and you've seen an increase in the overall provincial tax rate measured as a share of GDP, which again is a kind of striking contrast to the emphasis on tax cutting that both the supporters and the critics of the provincial government have focused on.

I genuinely and honestly find this kind of mysterious. How is it that we understand the stability in the average effective rate of provincial personal taxation and the increase in the average effective rate of overall provincial taxation measured as a share of GDP? I think there are a number of factors that have been at work that have mitigated the impact of the cuts in statutory tax rates, which we know occurred, but have mitigated those statutory cuts on the actual effective rate of tax that's collected by the government.

First of all, the personal income tax cuts themselves were smaller than were often advertised, because the fair share health levy offset a significant and growing chunk of that tax cut on the higher-income earners, and that health levy now collects an awful lot of money through the personal income tax system in the province.

Secondly, you had a situation where the cut in statutory rates was offsetting what otherwise would have occurred, which would have been a gradual increase in the average effective rate of personal taxation due to things like inflation and income growth in the province, so that people were, fairly or unfairly, moving up into higher and higher tax brackets.

A third factor that I think is kind of interesting is the polarization in pre-tax incomes that we know has occurred in Ontario and in the rest of Canada in the late 1990s, the fact that the income earned by the top quintile,

basically the top 20%, has grown in real terms strongly, whereas the income of lower groups has stagnated. One interesting and completely accidental impact of that polarization in pre-tax incomes is that a growing share of total personal income is received by those in the top tax brackets. That means that the average effective tax rate across the whole population can actually increase, simply because more and more of the income, a greater share of the income, is being earned by very high income earners; and since, even despite the statutory tax cuts, they pay a higher tax rate. That means that pulls up the overall effective rate at the same time as the statutory rate is falling.

For the province as a whole, the boom in corporate tax collections has more than offset the small reduction in effective personal income tax reduction. That's where you get this stable or even increasing trend in provincial tax revenues, despite the fact that the statutory tax rates have been cut especially aggressively in the personal tax system.

Looking forward, what is the medium-term outlook for the province and where does the tax issue fit into it? Again, I would generally agree with the finance minister's assessment of the economy yesterday, particularly the notion that the headlines that we've seen about the looming recession and so on are considerably overstated and likely very premature. His estimate of real GDP growth in the province of 2.8% next year is reasonable to me and in line with the forecasts of most economists and the forecast of the Bank of Canada, for example. We are obviously looking at an economic slowdown from the fast growth of the last couple of years, but a slowdown and a recession are two very, very different things, and obviously a lot of the headline writers and some of the analysts have gone too far on a limb in interpreting and extrapolating the effects of this slowdown.

There is going to be a significant downturn in auto and related industries in the next two years. That's caused by a softening of US vehicle sales, which will decline by 10% or 15% this year and stay at a similar level next year. We could see in Ontario up to perhaps 5,000 permanent layoffs in the auto assembly sector this year, and then you'll see that much and more again in the parts sector and various related supply industries. That's obviously a significant hardship for those who have been laid off, but that loss of perhaps 15,000 jobs in the broader auto industry and its suppliers is not significant enough to cause a broader downturn in the whole provincial or national economy.

Ontario's export industries, auto first and foremost, are very strong structurally. This is almost exclusively driven by a cyclical weakening of demand in the US, and I would see a recovery in most cases when US demand recovers. The one instance where there is a structural issue is with DaimlerChrysler, where they're going to suffer a disproportionate number of the total layoffs. Now we have a situation where the domestic industries, driven by that boom in consumer spending—a boom

which seems to have nothing to do with taxes—have a lot of momentum.

Can a tax cut help? Can we fine-tune the economy and reduce what I would already see as a small risk of an actual downturn in the province? Can we reduce that risk even further through further tax cuts? It seems quite clear to me that tax cuts did not cause the recent growth in Ontario. It's hard to even see the tax cuts in the aggregate macroeconomic data. So how could more tax cuts which you can't really see prevent a recession? The downturn that we are experiencing, the slowdown, is driven by US conditions that tax cuts in Ontario cannot affect. Unless we start taking our \$200 cheques and mailing them to prospective car buyers in the US instead of mailing them to Ontario taxpayers, there's no way tax cuts can offset the downturning US market conditions, which are filtering through into Ontario, and personal income tax cannot affect the investment decisions of those key export-oriented industries. They're not located in Ontario because of their personal income taxes, high or low; they're located here because of the dollar, because of the productivity of the industry and because of the benefits they get from our health care system and other social programs. So in fact if the personal income tax cuts are ultimately reflected, as I suspect they will be, in further deterioration in the quality of our public health care and education, then I would see those personal income tax cuts harming the likelihood for future investment in the province.

Some other holes in the logic of thinking which suggests that further tax cuts will offset the economic slowdown: remember that any cut in the general income tax system delivers the maximum gain to the high-income earners who pay most taxes in Ontario and in Canada. In fact, the share of taxes paid by those high-income earners is growing significantly because their share of pre-tax income is growing significantly with the polarization, the growing inequality in pre-tax market income. So those high-income earners who get the lion's share of the benefits from a general income tax cut are going to use much of their savings from those tax cuts to offset their consumer debt, which is high, to offset their recent losses in stock markets and other financial investments. The economic stimulus that would be delivered by those tax cuts is diluted. Remember, the provincial income tax system collects just five cents of each dollar in pre-tax personal income in the province. The idea that you can fiddle around with the whole economy by playing with that nickel of the whole dollar I think, again, is taking Keynesianism to an extreme. It will be the trends in pre-tax incomes, job creation, whether or not we're getting rising incomes in pre-tax terms, that will be key.

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The time lags involved in trying to fine-tune the economy through tax cuts also reduce the effectiveness of that strategy. I think there's a growing consensus among economists of all stripes, left and right, that we should not try to use fiscal policy—activist, counter-



cyclical, discretionary fiscal policy—as a tool of demand management. We should leave the job of trying to offset weakness or rein in an overly strong economy to the central banks. They can do it faster, in a more timely fashion, and they can do it more effectively, because interest rates are far more powerful in their impact on overall economic conditions than personal taxes are.

The reasons to either increase or cut your taxes should have to do with your thoughts about the programs that taxes fund. If you think there should be more public programs funded with taxes, you should increase them. If you don't, you should cut them. But it shouldn't be a countercyclical demand-side argument one way or the other that's used for and against tax cuts.

Just to show again the polarization of income and the resulting polarization of tax collection, this is a total for the most recent year available, 1997, total personal income taxes, federal and provincial, in Canada by income bracket. Incredibly, now, the top 2% of taxpayers in Canada, those who earn over \$100,000 a year, pay 26% of all income taxes collected in the system. This reflects the fact that they are collecting an ever larger share of the pre-tax market pie. The top 13% of taxpayers—that's those earning over \$50,000 a year—pay well over half, almost 60%, of all income taxes collected federally and provincially in Canada. The bottom 87%, those earning less than \$50,000, pay about 40% of all taxes. The bottom 60% of taxpayers in Canada, those earning under \$25,000, pay at this point less than 10% of all personal income taxes. So it's striking that the top 2% pays three times as much tax as the bottom 60%. This reflects, obviously, the progressive nature of our income tax system, but it also reflects the incredible polarization of pre-tax incomes, the growing gap in incomes between the rich and the poor.

If you cut the income tax system in a general way, with a general tax cut across the board, this top 2% will receive three times as much benefit from that as the bottom 60%. Given how much they save and what they spend their money on, even some luxury consumer spending by that top 2% is not going to offset any kind of general economic weakness.

A better approach, in my view, is to take the money that is there, reinvest it in health care and other public programs and try to enhance Ontario's advantage, which is clear in terms of the nature of our society and the programs that are there. Just to put some numbers on it, in the auto assembly sector, public health care in Ontario saves the industry about \$6 per hour worked. That's what they save by being here on the health care side, instead of paying private health premiums in the US. That is a huge factor in investment decisions, and part of what explains the very strong investment in Ontario's industry right through the 1990s.

Reinvest in economic and social security measures at this point, when there's the risk of a downturn. Again, I think the risk of outright recession is small, but there's clearly a softening in the macro economy. This is the time when we've got the money to reinvest in various

measures to help those at the bottom of the income ladder recoup their losses.

Just a couple of other factoids in terms of income taxes and personal taxes. There are many myths about taxes. One of them is that Canadians are overtaxed. I heard Catherine Swift say earlier she has never met anyone who says they don't pay enough tax. I'll say I don't pay enough tax, OK? Catherine has left, unfortunately. The idea that Canadians in general are overtaxed is wrong. In fact, for the worker at the average industrial wage, they pay less tax in Canada than they do in the United States, believe it or not. This is federal income tax, provincial income tax and payroll deductions for social security and other public programs. They collected about 17% in 1997—this is OECD data, the most recent available—versus 18% in the United States. Even though overall taxes in Canada are higher than they are in America, they're more progressive in Canada, which means at the average income level you pay less tax than the average-income person in America. To boot, you get public health care, public education and other benefits from that.

Taxes and spending by government, the combination of the two, play a very powerful role in reducing the growing inequality we see in pre-tax market incomes. This shows the ratio of the top quintile to the bottom quintile in Canada, and the numbers for Ontario are almost exactly similar. In market incomes, the top quintile, the top 20%, takes in 27 times as much income as the bottom 20%, and that ratio of inequality has grown significantly over the last decade, from about 16 to 1 in the mid-1980s to 27 to 1 today. This is what's driving the growing concentration of the tax burden on the high-income earner, the fact that they're getting more and more of the pre-tax pie.

The combination of income taxes and cash transfer payments, like welfare, employment insurance, pensions and so on, reduces that level of inequality to about 8 to 1. So over two thirds of the inequality is eliminated by the tax and cash transfer system, but then you also have to include the value of non-cash public services, such as health care, education, infrastructure, roads, garbage collection, policing and so on, which is a form of consumption that you don't pay money for, right? You consume it because you live in the society. Include the value of that in your total consumption bundle, the value of non-cash public programs, and the inequality ratio falls to 4 to 1. So you've gone from 27 to 1 before taxes and government programs to a 4-to-1 inequality ratio afterwards. Even that ratio is growing, and in my view it's too high, but the more we cut taxes and the more we cut programs as a result of cutting taxes, the more we're going to be looking like this 27-to-1 society instead of the 4-to-1 society.

There's a lot of international evidence that the level of taxes collected is a dominant determinant of very important social and health outcomes. I'll just give you one example here, the correlation between average effective tax rates in OECD countries and their demonstrated rates



of child poverty. There are a lot of factors that explain child poverty, obviously, but over 50% of the international differences in child poverty can be explained by one variable and one variable alone: how much of their GDP do they collect in taxes at all levels of government? Countries which collect a lot more taxes have a lot lower rate of child poverty, and vice versa for countries which collect less in taxes. So again, the more we cut taxes and the programs that are funded by taxes, we're going to be steadily climbing up this hill and our already high child poverty rates will get even worse. Similar data show that taxes are systematically related to things like education outcomes, social inclusion, participation in elections even and so on.

On the whole, my verdict on the argument, "Should we cut taxes further in Ontario?" would be a strong no. First of all, we're not even sure we would notice it if we were cutting taxes. Again, the significant cuts in statutory rates, which we know happened, did not trickle through into more money in people's pockets at the end of the day. The average effective tax rate in Ontario increased for the total government sector and stayed the same for the provincial taxes. Those tax cuts would not affect investment or employment in key export-oriented Ontario industries. The personal tax system is virtually irrelevant to investment decisions in the auto industry, and if the tax cuts lead to a decline in social programs like health care, they'll hurt investment in Ontario and the tax cuts will lead to more inequality, more pressure on public services, deteriorating health and social income.

I reject the notion now that tax cuts were even significant in explaining what has happened in Ontario over the last few years. I think the lessons of Ontario's Conservative Common Sense Revolution have got almost nothing to do with tax cuts. Give people a job and give them a raise and they'll spend the money. That's what we see on the consumer spending side. The whole boom is explained by growth in pre-tax market incomes, especially labour incomes, thanks to growing jobs and, finally, rising incomes.

The government also adopted a gradualist approach to deficit reduction, just balancing the budget last year after a several-year period of economic growth, and Ontario was among the last of the provinces to balance the budget. While I disagree with the way the budget was balanced, I think that pace of deficit reduction was entirely appropriate and helps to explain why economic growth in Ontario in the late 1990s was not hampered by even more fiscal tightening, as was the case in other provinces which tried to balance their budgets faster.

Also, the fringe benefit, the spinoff benefit for public finance of an overall growing economy and job creation, which in my view had virtually nothing to do with provincial government policy, either pro or con—those trickle-down benefits for public finance are huge. The booming tax revenues that this government has enjoyed, again despite the statutory tax cuts, show there's nothing better for balancing the books than putting people to work, and that's what I and others have argued. We can

argue obviously about what caused that growth in Ontario, whether it was the businesslike attitude on the part of the provincial government or some other factors, but there's no doubt that that growth was the dominant factor in the improvement of provincial finances. So that's a slightly different take on the whole tax cut issue.

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I would oppose the notion of further tax cuts, certainly not as a counter-cyclical, demand-stimulating measure, and in fact I would question whether tax cuts played any significant role in Ontario's economic history over the last few years. I'm happy to take the rest of the time for questions and discussion.

**The Chair:** Thank you very much. We have approximately six minutes per caucus and I'll start with the government side.

**Mr O'Toole:** Thank you very much, Mr Stanford. I know your premise when you started was to basically discount the importance of tax cuts. I'm going to start. With more time, I'd certainly—I believe the term "evidence" is used incorrectly. I think the premise of your paper is absolutely in error and I will try, in a couple of minutes, to give you some reasons.

Just to legitimize my point of view versus yours or some other person's point of view, Chrétien, when he was speaking at a university in the States recently, said to Mr Clinton at the time, "Our tax system is now competitive with the" United States. "If you look at Ontario, the income tax in Ontario, provincial and federal together, is competitive with New York and Michigan, California.... But the payroll tax in Canada is much lower than in the US." But he went on to attribute most of the increase in fact to tax policy, which is absolutely the reverse of what you said.

I think your premise is faulty because it attributes much of the impact on GDP or in the growth of the economy to the wrong factors, of actual consumer spending. The minister yesterday indicated domestic spending is growing, but he also indicated, in a micro way, that the business investment climate, which you haven't addressed at all, was the most important driver, at 17.8% of the net effect. He did attribute that actual consumption was only 4.3% of the whole equation, which really kind of helps to support your numbers.

But I think even if you look at the terms you use, which in themselves are part of the problem with your data, you use the pre-tax personal income tax as a reference point. What you fail to do is recognize the relationship between the provincial rate of tax, which is a per cent of the federal tax, as well as the mitigation of the clawbacks through personal income tax and payroll tax, payroll taxes being CPP and UI. The precipitous effect of that is they did in fact—and you've substantiated that in your paper—basically recognize that for every dollar we gave back, they took a dollar, either in CPP—that's a tax on jobs. That's the general term we use.

But when you actually look at the whole phenomenon of the tax cuts—I think these are well published, well documented by economists. I'm just reading them. In

2001, a family of two, with an income of \$60,000 from two earners—these would be the people who pay the lowest rates, you've said that, or contribute the least to the amount of revenue from personal income tax—will save \$1,865 in Ontario personal income tax, or more than 40%, as a result of our government's tax cuts. There's no question with respect to our ability to contribute to disposable income—it's defined by our attempt now to divorce our tax rate from the federal rate of tax, because we couldn't clearly demonstrate on the pay stub that they were actually getting more money in their pocket. We could show the net impact, but the federal government by and large clawed it all back.

In your premise again I won't accept your data. I'd prefer to look at the ministry data from the OECD statistics in 2000: "Canada has the highest personal income tax rate in the G7 nations." That's the number there and that's the number I would believe. Yours has been crafted in a way to discount any impact of the Laffer curve.

This isn't a lecture, but I've sat and listened politely to you. I really feel there is an opportunity for you to present real evidence. You used the term but I haven't seen it. There is an opportunity for you to participate differently in the income tax process. There is the Ontario opportunities fund where you can check it off and not get it back. In your case, based on the fact you're an economist and would be making more than \$60,000, you would probably be getting a larger tax break, as you've demonstrated in one of your charts, because clearly you've said that the higher your income, the higher tax you pay. About 85% of the tax is paid by about 15% of the people, if you're looking at personal income tax. You have completely ignored the corporate tax implications which might explain some of the growth in the GDP, that is, foreign investment, which is the global kind of interpretation that not only Chrétien started with but every country in the world recognizes that to be competitive it all starts with the investment and what the potential returns are on that investment. Business as usual—probably.

I wouldn't consider myself a Keynesian economist by any stretch of the imagination. I think what we try to do is create the right business investment climate, and I think the federal government has a role to play in that as well.

You can respond or whatever the time permits. With some respect, if I could soften my overall critique, it would be by saying that basically you're entitled to present the data. I would just hope the evidence would be a lot more comprehensive than what I see before me.

**Mr Stanford:** Thank you, Mr O'Toole. In terms of the evidence in the paper, it is all from official public sources. The personal income tax data comes from Ontario budget documents. The overall personal income and tax and consumption spending comes from a Statistics Canada survey of personal income and spending. I would be happy to provide any of the background data.

There is a startling difference, as you emphasize and as I emphasize, between this evidence of the stability in the average effective personal taxation in Ontario and the cuts in statutory rates which we know occurred. The example that you gave of the household at \$60,000 is one of the hypothetical examples that is provided in your budget documents, and the federal government does the same thing, about how much they should save, in theory, based on the cut in statutory rates. But the conflict between that and what we see in the actual evidence of personal incomes and spending suggests that those cuts in the statutory rates, for various reasons, some of which I've tried to hint at, are not trickling down to people at the end of the day.

Anecdotally, when you talk to people in Ontario, even well-paid auto workers, who get probably a couple of thousand dollars per family in your tax cut, have a hard time saying, "I actually notice it." Some of these other factors explain why Ontarians don't notice the average effective tax rate at the end of the day, because it hasn't actually changed.

In terms of the federal and payroll taxes, actually, for every dollar you gave back, according to my data, the federal and payroll taxes took \$6. They took \$6 more out of the system for every dollar you gave back. The point is that you gave almost nothing back. Effective personal income taxes in Ontario were only \$700 million lower in 1999, as a result of the very fractional decline in the average effective rate. That again runs up against the hypothetical question, when you look at the statutory rates—if statutory rates had stayed where they were in 1995, you would have collected \$6 billion or \$8 billion more. So that's the value of the tax cut that everyone, pro and con, has been using in their argument, but effectively, I am saying the tax cut was almost invisible.

In terms of the corporate tax issue, the large corporate tax cuts haven't even happened yet, so we obviously can't explain the experience of the last five years. Maybe the businesslike attitude of the government has something to do with it, but we haven't even seen the large corporate cuts yet. I personally would be a lot more sympathetic to a corporate tax cut than to a personal tax cut, precisely because it does have an impact—I don't think a dominant impact—on investment decisions, which are, I agree, what has been driving the economy.

**The Chair:** The official opposition.

**Mr Phillips:** I appreciate your presentation and some new approaches to looking at the numbers. I commend you for doing that.

I have just one simple question. We are all trying to wrestle with simple issues such as, how much is the economy likely to grow in the next couple of years? That gives us some indication I think of job growth and whatnot. Have you got a point of view on that?

**Mr Stanford:** We don't create our own actual forecast. We obviously follow it, because our members' incomes depend on it, just like your public finances for the provincial government depend crucially on it.



I think the current consensus view of economists that the rate in Canada is going to slow to somewhere between 2.5% and 3% seems reasonable to me and in line with the hard numbers we're seeing in employment, which has continued to strengthen, actually. Even the January jobs numbers were a good sign. The total of all level of employment didn't grow, but you had an increase of 50,000 in paid employment that was offsetting a continued decline in self-employment, and most paid jobs are much better than self-employed jobs.

So of the hard numbers that we see from the employment numbers, from the trade numbers and from the monthly GDP numbers, none of them suggest we're actually looking at a recession; we're looking at a slowdown from a 5% growth rate to perhaps a 3% growth rate. That's the view of Mr Dodge at the Bank of Canada. They obviously have their fingers on the numbers even before we do. I don't see any reason to expect something worse, although we obviously are concerned that there's a risk.

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**Mr Phillips:** Just to calm Mr O'Toole down slightly, when you said most paid jobs are better than self-employed jobs—some self-employed jobs are pretty good.

Historically, I've tended to agree with the Conservatives on how you calculate the forgone revenue from tax cuts. Most economists who have presented to us use a formula. They say if you don't change any tax rates, tax revenue will grow roughly at the rate of nominal GDP—roughly. They'll hedge it; they'll say "roughly." I've always looked at the government's tax numbers, and they say, "If we make these tax cuts"—and they've used different language—"there will be this benefit to the consumer, there will be this lower tax revenue coming in," whatever. But some language will say, "If we make these tax cuts, revenue, instead of being over there, will be here."

Actually, the numbers I've looked at over at least the last five years suggest that formula still is about right. I think the first tax cut by the government was designed to reduce tax revenue by, in 1996 terms, \$4 billion a year. Sure enough, if you do a calculation of what the personal income tax revenue was before the tax cuts, you inflate it each year by the nominal GDP and you subtract the \$4 billion, you've got what came in.

I've always accepted that the numbers the government uses for forgone revenue were accurate. In other words, if the economy had grown at the same rate—and you could argue that wouldn't happen without something, but if they grow at the same rate—personal income tax revenue would have been \$4 billion higher; with tax cuts, it's \$4 billion lower. So I accept the numbers whenever they show a cost to the tax cut. You've come at it from quite a different approach, using a different set of statistics from most economists'. I looked at the federal numbers, and I'm not sure whether the CAW participated in the development of the federal economic numbers when they had private sector—

**Mr Stanford:** No, we were not one of the ones they asked.

**Mr Phillips:** OK, but they too use nominal GDP. Why would that approach, that tends to be used by most economists, not continue to be at least a legitimate way of looking at it, and why would your number be so different from the one that, as I say, is used by most of the economists who present to us?

**Mr Stanford:** That's a very interesting question, and I'm still asking myself the question. I would have traditionally followed that approach as well: make the assumption that in the absence of a proactive change to tax policy, your revenues will grow at the same rate as your nominal GDP.

In practice, the evidence over the last decade suggests your revenues will actually grow faster than nominal GDP in the absence of proactive tax policy measures because of things like bracket creep—which is not going to be a problem now, but apparently was a significant question in recent years—and because of certain aspects during a period of expansion, where tax revenues are procyclical, that is, they would grow faster than nominal GDP. Corporate tax revenue is an important tax that grows faster than GDP when it's growing and falls faster than GDP when GDP is falling.

Clearly, there has been a forgone cost to that statutory tax rate. I think we can, using that traditional methodology, say that without those cuts in statutory personal income taxes, the government would have collected \$6 billion more per year, or \$8 billion more per year, or whatever the formula gives you. Then there has been a cost to those tax cuts in terms of what the government could have done with that money if it was collecting it.

But what's interesting to me is that what at most they've done is stopped personal income taxes from growing as an effective share of pre-tax income. Again, you can argue whether it would have been good or bad for income taxes to grow as a share of pre-tax income. What you can't argue is that at the end of the day, when the money gets into your wallet, consumers have more spending power because of the tax cuts.

**Mr Phillips:** We can or can't argue it?

**Mr Stanford:** You can't. You can argue they may have more spending power than they would have had without the tax cut, but relative to the spending power they had in 1995, provincial taxes took 5.8% of that money before they had a chance to spend it. Today, they're taking 5.5% of that money before they have a chance to spend it.

To argue there's been a boom in consumer spending from 1995 to 1999 because of the provincial tax cuts is not sustainable. By the time those statutory rate cuts which occurred get translated into effective tax payments, after everything else is considered—the linkage to the federal tax system that Mr O'Toole mentioned, inflation and income growth which push people into higher brackets, the polarization of pre-tax incomes—all of those factors meant the average effective rate paid in 1999 was virtually identical to what was paid in 1995.



That's not to say there hasn't been a cost to the tax cut, certainly, but to argue there's been more spending power because of the tax cuts I don't accept on the basis of this sort of alternative evidence.

**Mr Christopherson:** Thank you very much, Jim. As always, a stimulating presentation. For some of us it's like oxygen to hear some suggestion other than just that the tax cuts are responsible for what's happened. I would just put in a plug that for anybody who wants to follow a little more of your thinking, reading *Paper Boom*, your book, is an excellent step. I would urge anybody listening to grab that.

**Mr Stanford:** That's very kind. I didn't pay him to say that.

**Mr Christopherson:** No, you didn't. I didn't even bring my book to be signed, which I meant to do.

What I want to focus on a bit is a combination of both economics and then just some straight politics and your thoughts on that. Right now, I think you make an excellent argument, especially the argument about health care, when you talk about how a better approach to the health care system saves \$6 an hour in the auto industry and that that differential is a huge factor in the amount of auto production in Canada, especially in Ontario, and the same with all our other social programs. If you take the argument that the only way to have the kind of health care system we would like, the social service system we would like, environmental protection etc, is to reinvest money in there—at the end of the day it's going to take more cash to do it—when you make that move from an economic discussion to a political one, you're left going door to door on a platform that says, "Vote for me. I'll raise your taxes." You can always argue it's just education, and go out and do the politics, go out on the hustings, that sort of thing, but it really creates a dilemma for those who want to make that investment when you take a look at the current political climate that has a large portion of middle class working folks buying into this argument.

Attached to that, I would ask you, if you had the opportunity to set the next budget, particularly in terms of tax structure, what sort of significant changes would you make in terms of reorienting the tax system from where it is now under Harris to something that supports the factors that you think are more important for the vast majority of people? Any thoughts on those two things? I know it's not an easy one, but your thoughts would be appreciated.

**Mr Stanford:** Take an auto worker, for example, who, if they're in the assembly sector, is making \$60,000 a year, so they fall within that group, that top 10% of taxpayers who pay 60% of all taxes. On the one hand, you hear from them often the thing that they don't really notice, the tax cuts they've gotten, even though when you conduct the theoretical simulations they should have thousands of extra dollars in their pocket. It's interesting to explore and find out that that anecdotal response is actually consistent with the evidence that their effective tax burden has not fallen. That would give some cause

for skepticism among even those people who are in the top 10% of the population for the tax cuts which have aimed most of their benefits at the top 10% of the population.

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On the other hand, if you also went to that person and said, "We want to raise your taxes," there's no doubt—and as much as I'll stand here and say I don't pay enough taxes, most of my membership wouldn't view themselves in the same context and it does become a tough situation. That's why I would focus particularly on trying to preserve the current tax base that is there. I don't believe at the end of the day that it's actually a lack of money that's stopping this government from reinvesting in those programs that need those reinvestments—I agree with you entirely—and barring an outright recession, which I don't think is going to occur, they are going to have more and more money all the time to make those reinvestments.

The bigger fear for me is not how you convince people that we should raise their taxes; I'm not yet convinced we have to raise their taxes to get the money to do it. If it turns out that even the benefits of economic growth, which absolutely have created a sea change in the state of public finances here, are not sufficient to deliver the money you need, then at the end of the day you have to go out and convince people that, yes, they should pay a little bit extra for those programs. That task will be a lot easier when their incomes are growing anyway in the context of a vibrant economy.

I always find it amazing that the 1990s were the first decade when effective tax rates in Canada did not on the whole increase over the decade, yet that was the decade when the tax revolt started. In the 1950s, 1960s, 1970s and even the 1980s, effective tax rates in Canada rose dramatically and quickly, as we funded for all these new programs. There was no tax revolt I think in part because people recognized the value of those programs, but also because their pre-tax incomes were growing fast enough; they still had more money in their pocket at the end of the day despite the tax increases. The key factor will be to maintain a vibrant macroeconomic environment where you can kind of painlessly get the revenues, whether you're increasing taxes or not, to finance those needed reinvestments.

**The Chair:** Thank you very much. We've run out of time. On behalf of the committee, thank you very much for your presentation.

**Mr Stanford:** Thank you for the time and for your comments. I appreciate that.

#### PEOPLE FOR EDUCATION

**The Chair:** The next presenter is representatives for People for Education. Could the spokespersons come forward and state your names for the record, please.

**Ms Annie Kidder:** I'm Annie Kidder and this is Gay Young, and we are from People for Education.

**Ms Gay Young:** People for Education is very pleased to be here this afternoon. We are a parent group. We have a network of parents around the province, and we're parents from both the public and Catholic systems. We have been working for the last five years to try to advocate and protect for fully publicly funded education here in this province. Happy Valentine's Day to all of you.

Over the years we've done a lot of research and we have a tracking project that has been going out and surveying elementary schools across the province. This is our fourth year now. Last year we had 940 schools participating, so we've learned a lot about many of the changes that have been made to schools. We've made lots of presentations over the years to you in different committees and different areas and we hope today especially that you will listen to us with your head and your heart, especially as it's Valentine's Day. We are here because we are passionate about our children and the children in this province and we're passionate about our publicly funded education system and we want to make sure that it's serving each and every child as best it can in this province.

**Ms Kidder:** We've been tracking elementary schools for the last four years. This is the 2000 tracking report. We've gone through it and we have estimated costs for reinvesting money—and these costs are actually direct classroom costs, as defined by the provincial government—back into the classroom to correct some of the funding shortfalls that we're finding in our tracking report. I'm just going to go through them quickly and then you can ask questions.

One of the first things we found is that there are nearly 35,000 children in elementary schools on waiting lists for special education services. That list is broken down into three things. They're waiting for three different things. Some of them are waiting just for identification, to be assessed, that is, by a psychologist. There's been a huge drop in schools with regular access to psychologists. To get those kids off the waiting list would cost \$9 million.

There are children waiting for IPRCs, which are identification, placement and review committees. That would cost half a million dollars. There are children waiting for placements, which would cost \$19 million. There's actually a mistake in this. This was done very quickly this morning. I can see a mistake already. The total cost to bring all of the children off waiting lists for special education—I'm going to have to add in my head here, there seems to be two of these; you add them and I'll tell you—is around \$70 million. These are children who are not getting the services that they need for special education.

There has also been a drop in the number of schools with full-time principals in the province. This is happening because of a gap in funding for small schools, a gap between what is considered a small school and what is considered the number of students that you need to generate funding for a principal. Only 85% of elementary schools now have full-time principals. That's a drop of

10% in three years. To ensure that all elementary schools have a full-time principal would cost \$26 million. It's a necessary thing in schools for them to have principals.

We are seeing librarians disappearing out of elementary schools. Now 10% of the boards don't have librarians in elementary schools. Librarians are very important for information technology, they're very important to coordinate all of the curriculum in schools, they're important for teaching kids how to do research, and it's important that they are teachers. To make sure that for every 350 students there is one full-time librarian would cost \$116 million.

Only 37% of our elementary schools have phys ed teachers. Phys ed is a very important part of the new curriculum. To ensure that for every 400 students, or every school over 400, there is a full-time phys ed teacher, which would give them phys ed twice a week, as is stipulated in the new curriculum, would cost \$102 million.

Only 56% of elementary schools have music teachers. It's another very important part of the new curriculum. To ensure that children have music once a week you would have to have 0.5 of a music teacher for every 400 students. That would cost an additional \$29 million.

This is money that's been cut from the system going back into the system to correct these losses.

There's been a 24% drop in ESL programs in only three years. To correct that drop and bring it back up to the levels of 1997 so that for every 24 ESL students there's a teacher would cost \$31 million.

These are not huge amounts of money considering the surplus that we had last year.

A really big problem in schools in Ontario is the gap in funding between what qualifies for small-school funding and what qualifies to get you money for a principal or even for a secretary. What happens is, if you have under about 140 students in your school you qualify for small-school funding. But you have to have 364 students to generate funding for a full-time principal. So there's this huge hole there. Half of the elementary schools in Ontario are in that hole; 50% of the schools are too big to qualify for small-school funding and too small to generate funding for a principal. This is a real problem in the funding formula and it's a problem that has to be fixed. A third of those schools don't even qualify for funding or don't generate the funds for even a secretary. So we have all of these schools in the middle there, a huge number of Ontario schools, that don't qualify for funding, that fall between two stools, I suppose you could say.

What we're suggesting is that we up the number for the small-school formula, that we say that schools of fewer than 250 students qualify for small-school funding. That would add an additional 920 elementary schools. We are estimating the cost based on what you get for 100 students. We're saying, OK, fine, give the same amount on top of your per pupil grant. That would cost an additional \$67 million.



## 1210

Because these numbers that I've just said here are just for elementary schools, we then looked at the per pupil cost that would mean for elementary schools, the additional per pupil cost. It's only \$343 more per pupil to correct these severe problems in elementary schools. Then we looked at how many secondary school students there are. We know that the cost per pupil is about 10% more, so we've estimated that the cost to correct these problems in secondary schools—they also suffer from problems with small schools, problems with administration, problems with librarians, problems with special ed and problems with ESL—would cost another \$252 million.

The following totals were for both secondary and elementary school students.

Textbooks: over 65% of elementary schools report that they are using worn or out-of-date textbooks. We know that in the funding formula you get \$75 a year for textbooks for elementary schools and \$100 a year for high schools. There was an additional grant made for the grades 9 and 10 new curriculum in high schools of \$30 million per year. That grant didn't include any money for teacher manuals, and it doesn't actually cover the costs of all of the subjects taught in high schools. It's not enough money. What we've estimated here then is that in elementary schools, so that kids aren't having to share textbooks—they also have a whole new curriculum—we need another \$22 million. We need the teacher manuals to go with the new curriculum and the new textbooks for grades 9 and 10. That costs \$13 million. Then we need the right amount for textbooks for the new grade 11 curriculum starting in the fall. This is a one-time cost of \$73 million.

Another big problem that's happening and that we know from how many schools are closing in Ontario this year and last year—they're closing for one reason: because they're too small to fit in the funding formula. The other reason they're closing is in order to generate new pupil places. The schools in your board have to be over 100% capacity in order to get money for new pupil places. I talked to one board director who talked about banking those new pupil places. He said they're kind of like air miles. The only way you can bank those is if you have some schools that aren't full in your board. You have to close those schools so that you make sure that you're at or over—you have to be over 100%. For every pupil over 100% you are, you get your new pupil place funding.

What's happening in a number of boards where they have high-growth areas, no matter how far they are from the other areas that are not growing, they have to close the schools in the areas that are not growing in order to put schools in high-growth areas. There was just a perfect example of that on the front page of the *Star* this morning, of a school that had something like 33 portables because it was in Toronto and we'll never get new pupil places.

This is a very, very conservative estimate here. We just took the 45 schools that are closing in growth boards: nine of those are secondary schools and 36 are elementary schools. We costed \$25 million each for a secondary school and \$3 million each for an elementary school. These really are conservative numbers. In order to save those schools from closing, either by reducing the capacity amount, which is to say make it the same as it is for maintenance—there was a change made in the funding formula that you were topped up after 80% for your maintenance costs. If we did that for new pupil places as well or else did what the Education Improvement Commission recommended, which was to make review areas, so you weren't in this insane position of having to close schools in one place in order to build a new school in another place that was very far away, would cost \$333 million.

Transportation is a very unsexy issue but it's a disaster for boards right now. There is no transportation funding formula at all. The money that boards are getting for transportation is based on what they were spending in 1997 minus 3%. Gas prices have gone up 38% since 1998. So just for gas prices—we didn't estimate anything else in this—just to compensate for the cost of gas prices going up would cost another \$87 million. We have kids, we know from our tracking report, who are on buses now for three hours a day because their boards don't have enough money for the buses that they need. I know that the education finance people are working on the transportation funding formula but what's happening now is boards are being left in a position of having to take that money from somewhere else in order to get their kids to schools.

And this is leaving out many, many things. It's leaving out the fact there aren't enough guidance counsellors in high schools. But this is the basic desperate need for right now. This would cost another \$600 per pupil, the average between elementary and secondary school students, which would cost a total of \$1.19 billion to put this money back in schools.

We know that there's been no money for inflation over the last few years, that schools and boards spend all their time now robbing Peter to pay Paul. Every single school in Ontario at this point is in a position where every time they spend money, they have to think about where they're going to take that money from. These are very, very basic needs in schools. These are not extras. We're not talking about more programs here. These are things like 35,000 children waiting for special-ed services. These are the kinds of costs we're talking about in here.

We really encourage you, when you're looking at the new budget for this year, to use some of the surplus. I just listened to a paid political ad on the radio, as I was frantically driving here, which was from the Conservatives and talked about dreaming about our future and a vision for the future. It seems to me the most important part of that vision for the future is that we adequately educate our children, we make sure that our children



have a fair chance to succeed in the world, that this is the most important investment we can make for our future. If the Conservative Party, as they are forming their budget, are interested in the future and a vision for the future, this is the most important investment they can make.

**The Chair:** We have approximately three minutes per caucus. I'll start with the official opposition.

**Mrs Sandra Pupatello (Windsor West):** Thank you so much for your presentation. I wanted to touch on one element that you mentioned in terms of the small schools, the building of schools, and that is the off-loading from the provincial government of debt so that the finance minister could come in the other day and say what a glowing report we have with the Ontario finances. But the reality is that school boards now are facing significant debt, in particular around the capital costs of building schools.

There were a number of policies that are working together to create a climate. The merging of various school boards meant, in almost every case in Ontario, the merging of largely rural boards with urban-based boards. That meant necessarily that when it comes to school closure decisions, the inner-city schools are going to be the ones with population changes. In Windsor-Essex county, and the same is repeated right across Ontario, those inner-city, old schools are not as full because of the growth in suburbia, and those schools need to be built. Ultimately, our boards are deciding—in one board alone, eight schools inside Windsor are slated for closure, but the outside schools in the suburban areas need to be built.

They talk on and on about SuperBuild and how people can access capital money. What's happened with school boards is they need to fund the building. Whether their operating dollars will be increased to account for the financing of that money, nonetheless, the board is assuming the debt of that capital project. That means the government may finance it over time, but the debt is moved from the provincial books to the school board books. What the Minister of Finance confirmed for us yesterday is that this method and this tactic will continue. That means municipalities, school boards and hospitals are all now assuming debts that would have been on the provincial books and are no longer.

I just wondered if you'd speak to that, because there are many, many policies over the course of the second term and the first term of this government in education policy that ultimately are resulting in the kind of financial crisis we have in schools.

**Ms Kidder:** I think that's why, when we were looking at that problem and understanding that what it means is incurring all this debt, it seemed to us that the best solution was to change the formula so that you start to get the money for the new pupil places, for one thing, when you need them, not after you're already in a disaster, and that you don't have to borrow the same amount of money. Especially, it doesn't mean that you have to close schools in order to do it.

What we would recommend would be that we change the formula so that you don't have to be at 100% capa-

city, that the idea of review areas is looked at, but also that the 100% capacity is changed to something more reasonable, like 85%; even 90% would make a huge difference to those schools closing. It will mean more money and it needs to be more money in the formula, not more money that you are allowed to borrow over time, which is the way it is right now, because you're right: you end up with this enormous debt over 25 years in order to fund 2,000 pupil places.

**1220**

**Mrs Pupatello:** Moreover, the school boards are now cleverly reviewing where they can find money in a formula for the addition of a portable. That they can find in a funding formula, so decisions they're making around school closures often mean they'll close a school only to put two neighbouring schools completely over capacity, but that's OK because the formula will allow them to purchase a portable in order to do that. And yet that capital cost of a portable cannot be applied to the purchase and building of a school.

**Ms Kidder:** But also for parents and for students, the bad part of that is that it means it's actually worth it for boards to create overcrowded schools, which is not what we want for our children. That's the real part where that falls down. We don't want overcrowded schools, and we're seeing that in Ottawa and a lot of places. We're creating these hugely overcrowded schools and you also create huge divisions among population of parents because they desperately need schools in high-growth areas.

**The Chair:** Mr Christopherson.

**Mr Christopherson:** Thank you very much for your presentation. I want to thank you for the work you do. It makes a difference. I don't know if it always feels like it, but it does. I can tell you, listening to your comments as you went through all these issues—Sandra's already mentioned it reflects what's happening in Windsor—it's like you were singing from the song sheets out of Hamilton, exactly the same thing.

When I sit down and talk with Ray Mulholland, the chair of the board, or Judith Bishop, the trustee in the major area of my riding, the notion of robbing Peter to pay Paul is going on constantly. What I just want to underscore is that your message is so important because it's reflecting the reality of what's out there, as opposed to a pie-in-the-sky vision that the government likes to paint as what's happening, and it's not.

You mentioned that there are some children on the bus for three hours. Transportation, like everything else in here, is a huge issue in Hamilton, especially since we've now merged and it's a much larger geographic city. Three hours: is this in the Toronto area?

**Ms Kidder:** No, this is provincially. A lot of these are special-ed kids. They are kids whose programs were cut in their school in their small town. There are kids who are going to Thunder Bay for programs from very far outside of Thunder Bay. It is especially rural areas that have suffered most from the busing problems. Ironically, one of the things that has happened in some areas is that

late buses have been cut because of transportation costs, so there are no extracurricular activities in secondary schools in quite a few boards because of cuts to late buses. But our concern is that when we're looking at the transportation funding formula we take into account how long children should be on buses. I'm 47 years old and I wouldn't go on a bus for three hours every day to go to work.

**Mr Christopherson:** Exactly. You mentioned special ed; again, this was a huge issue in Hamilton. We've still got children who are not in the classroom and yet, prior to a lot of the cuts, they were. I've had mothers in my office in tears, saying, "What am I going to do?"

At the end of the day, the only thing that's going to change that is for the government to change the funding formulas in the way that you've mentioned here. The principal issue, the text book issue, the closing down of schools—they're shutting down Scott Park high school and Allenby school, a beautiful, excellent, inner-city community school. It's the heart of that little neighbourhood. It's a small school, but it makes such a huge, fundamental difference to the quality of life of the children and to the families in that area.

Again, for a government that says they care about families, just like their labour legislation that works against supporting families, they've got an education funding formula that doesn't support kids and doesn't support families.

I don't have any more questions. It enrages me, and I'm just so thrilled that you were here and that you hit all the key issues. I just urge you to please keep speaking out, raise the issues, because at the end of the day it means more that it's coming from parents than politicians or teachers, or trustees for that matter. It's the parents who can make a difference.

**Ms Kidd:** We are very concerned about the kids who aren't in school at all. For instance, I know a mother whose son has Tourette syndrome. He only qualifies for 50% ISA funding. She says, "It's as if they think he's got Tourette's in the morning and suddenly at lunch he's cured." So in the afternoon he just can't be in class. He cannot be in class without an educational assistant. He sits in the office, if they have time to take care of him, or he stays at home.

There are lots of kids, there are kids in my own children's school, just waiting even to be in the learning centre so they get extra help. There are 30 kids on the waiting list just in my children's school to get into the learning centre. These are kids who could be helped, who will be saved much bigger costs later on to all sorts of different things: to our justice system, to our health care system, to everything else. It's a very important investment that we have to make in special ed, and it affects every child, not just the children who are in special ed.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation this morning, for the work you do on behalf of parents and students in Ontario and for some of the studies you've conducted. Recently I read in the paper about the national study that claims that

Ontario's high school teachers are not being asked to work more than teachers anywhere else in the country. So it was interesting to read that article. Also at the Ontario Parent Council regional forum, which your members participated in and attended, it was good to see some of the comments that were expressed there and some of the things we're doing with respect to parent councils and the regulations that are very supported by your group. So thank you for some of the work you do.

I want to talk about some of the issues you've raised. There are several, and time is limited, but I would like to focus on special education, which certainly is one that is near and dear to my heart. Having been a school trustee from 1988 to 1999, and having been chair of that board and also chair of the special education advisory committee for three years, I have seen a lot of changes within special education.

The funding model is evolving. Because of the intricacies of the special education child—and no two children are alike—it's an area that needs to be reviewed constantly and that our minister has committed to reviewing. There's a review happening now, as a matter of fact, on some of the funding for that, to see how we can improve some of that funding.

I also wanted to comment on some of the points made about the off-loading of the debt. When the funding changes were made, all of the debts that the school boards had were assumed by the province. Because the boards no longer have taxation ability, the province assumed all of the debt load. So the school boards are now given per pupil funding for the services they need to provide.

With respect to school construction, being from York region and having been part of the York region Catholic board, there have been a number of times where the school trustees sat around the board table arguing over which school would be built first and putting together our CEF, the capital expenditure forecast list, which was one time when trustees fought for parochial areas against each other. Because of the way the capital funding formula was done, boards had to submit a CEF list to the ministry, and then the ministry would go through that list and choose. They wouldn't always choose our number one priority; sometimes it would be number five. So the local autonomy of individual school boards was taken away. The funding formula now provides for a dollar amount per pupil that boards have in excess of student space. So it allows the board, year over year, to put that money into an account or into an area where, when they see fit to build a school in a specific area, they will be able to have the authority, the autonomy, to do that.

Transportation is another issue that is ever evolving. Having been part of a board that co-operated well with our local coterminous board, York region developed a very comprehensive plan for sharing of transportation services. Before the new transportation funding model was introduced, there weren't any incentives for boards to find efficiencies in transportation. More money was given if you got a 72-passenger bus than a smaller bus.



Now, the way the formula is done, it provides more efficiencies. It encourages boards to find efficiencies. That in itself is also ever evolving and there are talks going consistently with the transportation companies because we realize there are changes that need to be made. Whenever changes are introduced, it evolves and you need to keep reviewing how those are being implemented and the benefits of them, because in the end what we want is to best serve the students in Ontario and to assist the boards as much as we can in doing that.

**The Chair:** You're going to have to put your question, Mrs Molinari. We're running out of time.

**Mrs Molinari:** I don't really have a question, Mr Chair. It was to clarify some of the comments that were made, based on a number of experiences that I've personally been involved in. If I've taken up all of my time, I thank you.

1230

**Ms Kidder:** Can I answer?

**The Chair:** Absolutely.

**Ms Kidder:** On the transportation, there is no formula for transportation right now. It is based on the 1997 amount. The problem that happened there is that the boards that were efficient and did make cuts and made sure that they actually bused kids with their coterminous boards were penalized just as much as the boards that hadn't. Some boards—Avon Maitland, I know, for one—especially those boards that actually tried as hard as they could to be very efficient, were penalized, were cut just like all the other boards. They felt they got a double cut there. But there still isn't an actual formula.

I understand the reasoning behind the capital costs, but the problem with it is that because of the 100% capacity rule, because you have to be more than full before you start to generate new pupil places, you must close schools in other areas. The Education Improvement Commission, which was put together by this government, expressly recommended that that be changed so that boards weren't in a position of closing schools in Dryden so you could have a new school in Kenora or vice versa, so that you weren't closing schools 100 kilometres away from a place where they needed new pupil places. I think that is our problem with the capital one.

Special ed: I know the funding formula is being worked on. All we're saying is that the reality is there are 35,000 children waiting for services. Even with new funding formulae, that needs to be corrected so that we can at least start off all right. What we did was estimate the cost for that, which is actually \$53 million, because one thing is in there twice. It's just to get those children off the waiting list for special education. Then when we start with the many new formulae, as we come up with them, at least these kids aren't disadvantaged.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

## ONTARIO HOME BUILDERS' ASSOCIATION

**The Chair:** Our next presentation is from the Ontario Home Builders' Association. Could the representative come forward and state your name for the record, please.

**Mr Wayne Dempsey:** I'm Wayne Dempsey. Albert Schepers is with me.

**The Chair:** On behalf of the committee, welcome. You have 30 minutes.

**Mr Dempsey:** Good afternoon. My name is Wayne Dempsey and I am proud to be the president of the Ontario Home Builders' Association. I've been a builder in beautiful Muskoka since 1975. I specialize in building homes and cottages for both permanent and seasonal residents and I take on a few small commercial projects from time to time.

Joining me is Albert Schepers. I am sure he's also proud to be the first vice-president of the Ontario Home Builders' Association. He is a structural and civil engineer and he has operated his Windsor company for the last 11 years.

We are both volunteers in the association, and in addition to our business and personal responsibilities, we are dedicated to serving our industry.

We appreciate the opportunity to speak with you, and I can assure you that it will be a brief report. You have copies of our full written submission, which you can peruse at your leisure.

I'd like to start by telling you a little bit about OHBA. The Ontario Homes Builders' Association is the voice of the residential construction industry in Ontario. As a volunteer organization, OHBA represents about 3,500 member companies, which are organized into 31 locals across our province. Our membership is made up of all disciplines involved in residential construction, including builders, land developers, renovators, trade contractors, manufacturers, suppliers, realtors, mortgage lenders, apartment owners and managers, housing consultants, economists, planners, architects, lawyers and of course engineers. Together we produce 80% of the province's new housing. The residential construction industry employs approximately 200,000 people and contributes over \$20 billion to the province's economy every year.

Now Albert Schepers will bring you up to date about the current housing market and what we expect in the future. He will also discuss the impact the housing industry has on the economy of Ontario.

**Mr Albert Schepers:** As Wayne said, we will be brief. Before I leave this fair city, I have to pick up something for my wife. I was gently reminded that this is Valentine's Day, so I guess I'm stuck with that.

A healthy residential construction sector is not only indicative of a healthy economy in general, it is also a precursor to future growth. Economic expansion usually starts with an increase in housing starts as well as industrial and commercial development. This leads to new infrastructure projects along with institutional ex-



pansion, which provides the necessary foundation for the next generation of economic activity.

Last year, just over 186,000 jobs were created in Ontario, and many of these jobs were in residential construction. It's estimated that each housing start generates approximately 2.8 person-years of employment. Housing starts and renovation spending for the year 2000 were the highest in this past decade, allowing our industry to provide record levels of employment for Ontarians.

Last year our industry contributed over \$20 billion to the Ontario economy. Construction activity also contributes significantly to government revenues. On average, each new house contributes \$40,000 to \$50,000 in taxes and fees collected at all three levels of government on the purchase price alone. Based on over 71,500 housing starts last year, that amounts to over \$3 billion in tax revenue last year. Add to that tax revenues collected from renovation work and the ongoing tax revenue generated from housing, and it's clear that our industry is a major contributor to the health of Ontario's economy.

The year 2000 was another great year for our industry. Ontario's housing market was healthy and stable, showing a steady improvement. Starts last year were up by 6.4% over the year before. Stability in the housing sector should continue into the year 2001, bolstered by high consumer confidence, a healthy employment market and a solid GDP.

The major highlights of 2000 include:

Starts were up across the province, with some areas showing significant gains. Kitchener and Ottawa had over 24%, Oshawa had 17% and Toronto had a 12% increase in housing starts. However, there were communities that experienced decreases. These include Thunder Bay, Hamilton, St Catharines-Niagara, and Sudbury.

Multi-family construction was up by 9.4% in 2000 compared to the previous year and single detached starts increased by 4.2%. However, rental housing construction is still stagnant despite Ontario's robust economy.

You will find an economic forecast survey of our members, which was conducted in November 2000, included as appendix A in our submission. Nine out of 10 members surveyed expect sales to increase or remain the same in 2001 compared to the previous year.

This optimism is reflected in OHBA's forecast for 2001. We expect over 70,000 starts this year, which represents the sixth straight year of growth.

Renovation spending is continuing on an upward trend, with about \$10.5 billion spent in this sector last year. We predict renovation spending will climb to more than \$11.5 billion in 2001.

Ontario's economic performance has been impressive over the past year. Low mortgage rates and strong job creation fuelled consumer confidence and encouraged many new buyers into the housing market.

While generally optimistic, enthusiasm for the coming year is tempered with concerns over labour shortages and rising costs for materials and skilled labour. These

increased costs, combined with increasing and new taxes, fees and charges, could hinder future growth.

More than 60% of our members cite increasing labour costs as an impediment to growth in 2001 and almost as many, 58.5%, were experiencing difficulties in finding skilled labour. The perception that increased building activity correlates to higher profit margins is inaccurate. Builders continue to operate under extremely tight margins; 44% of our members say this is the key concern for them in the coming year.

Builders and renovators are not in a position to absorb increases in materials, labour costs or government fees and taxes. The reality is that increased costs seriously hamper industry efforts to provide affordable housing for the Ontario consumer.

Wayne will now summarize some of the key factors affecting our industry and OHBA's recommendations. Thank you very much.

1240

**Mr Dempsey:** We'd like you to consider the following items.

Development charges and educational development charges imposed by municipalities across Ontario continue to concern builders. Not only do these charges contribute significantly to the cost of housing in the province, but there are serious concerns about municipalities not following the intent of the act, which is ultimately to reduce charges. As a result, development charges in Ontario have become some of the highest in Canada.

We recommend close government monitoring of development charges and educational development charges and intervention where necessary to ensure that the intent of the legislation—to reduce costs—is met. Excessive regulation and overtaxation on the home-building industry pushes the price of new homes higher and higher and consequently puts home ownership out of reach of many citizens. OHBA urges the government to introduce legislation that ensures fees are based on a reasonable direct cost-recovery basis and that such legislation allow for an appeal of municipal decisions about fees and levels of service.

We participated in the work of the business tax review panel appointed by the Ministry of Finance and we encourage a thorough review of the recommendations from that panel.

The difficulty in finding skilled labour to meet the needs of our industry is a serious and a complex problem. Tradespeople lost during the recession, combined with a record number of workers retiring, have exacerbated the situation. Informing and educating the public about the opportunities in our industry, as well as dispelling some of the negative stereotypes associated with skilled trades, is a major challenge for all of us. OHBA recommends the development of co-op programs at the high school and college levels that actually bring students on to the job site and provide them with hands-on experience in construction and safety practices. We also urge the government to increase school funding for shop facilities in order to run the programs productively. In addition, we

encourage the government of Ontario to take an active role in urging young people to consider a career in skilled trades.

I don't need to tell you that rental housing is in short supply in a growing number of urban centres across the province. Nine regions have a vacancy rate of under 2%, and five cities, including Toronto, Barrie, Ottawa, Kitchener and Guelph, have vacancy rates under 1%. Despite Ontario's robust economy, the reality is that very little new rental housing is being built. The provincial government has undertaken a number of initiatives in the past to encourage the construction of rental accommodations, including most recently the PST grant program. We recommend the government renew the PST grant program and increase funding for this important initiative to support new affordable home construction. A review of the program criteria is also recommended so that the grants target the intended sector. In addition, OHBA urges the provincial government to review the recommendations from the housing supply working group and seek to eliminate any disincentives that currently discourage the private sector from building rental accommodation.

Many municipalities across Ontario have undergone or will undergo amalgamation. While 80% of OHBA members support the concept of amalgamating communities, they do have concerns about increased costs and delays that are being incurred by builders as these municipalities merge. Therefore, we urge the provincial government to expeditiously supply the necessary funding to newly amalgamated municipalities to ensure a quick, effective merger of building and planning departments, and to help them in rewriting zoning by-laws.

Once again, pressure from the underground economy continues to be a major problem for our industry, particularly in the renovation sector. In addition to unfair competition, governments lose out on billions of dollars in revenues. Health and safety standards of workers are unlikely to be met by underground contractors, and homeowners suffer with little or no recourse in the event of shoddy and unsafe workmanship. We recommend the government work together with us to seek out ways to encourage and entice consumers to use the skills and services of legitimate, honest renovators and contractors. We support the idea of a voluntary registration of renovators and site supervisors as opposed to the mandatory certification outlined in the recommendations of the building and regulatory reform advisory group.

Mr Chairman, let me conclude by noting that this government has cut taxes 99 times since being elected in 1995. Last year's budget announced a further 67 tax cuts over the next five years. At that time, your government made the land transfer tax rebate for first-time homebuyers of newly built homes permanent. Since this measure was first introduced in 1996, about \$106 million in rebates were given out to over 78,000 Ontario families to assist them in the purchase of their first home. This in turn contributed to growth in the new housing market. We applaud the government on making the rebate pro-

gram permanent and thereby helping to ensure housing remains affordable to first-time buyers. Let me also reiterate that OHBA and its members strongly support the fiscal policy of the provincial government and encourage you to continue in the direction of spending reductions and tax cuts.

Mr Chairman and members of the committee, thank you for your attention and interest. We look forward to hearing any comments or questions.

**The Chair:** And I thank you also on behalf of the committee. We have approximately three minutes per caucus.

**Mr Christopherson:** Thank you for your presentation. I think this is now at least the third time, perhaps the fourth, that the labour shortage has been mentioned. Specifically, you touched on it briefly here, but what role do you think the provincial government can play in meeting this? One of the answers is to bring skilled workers from other countries here, but at the end of the day we still have an awful lot of young people here in Ontario who are looking for careers, and taking up a trade is just as much a career as going to university and getting a degree. What sorts of real, concrete steps could the government take that would begin to entice people to get into an apprenticeship program and provide the skills that we need from among the existing labour force, the domestic labour force here in Ontario, as opposed to other answers?

**Mr Dempsey:** Let's face it: it's a selling job. The dot-com industry is a lot more sexy than the building construction industry. But even so, there are people who are not dot-commers, who are not computer geniuses, and they have as much right to have a very good job as the rest of them. We would like to see the colleges and universities showing building trades as an option. We feel at this point it's not being spelled out to some of the students when they come out of high school that there is another place to go other than to be a doctor, a lawyer or an engineer. We would like to see programs happen at the colleges side and to work with colleges and universities, but we also want to see it happen in the early part of secondary school. I think that's when you've got to change the attitude of some of the people in the schools to say, "Yes, it is a good job and you can make a good dollar there and it's a very honourable profession."

**The Chair:** We'll go to the government side.

**Mr Garfield Dunlop (Simcoe North):** Thank you for your presentation. I'd like to follow up a little bit on the skilled labour shortage as well. I'm from the riding just south of you, Wayne, in Simcoe North, and I've had a lot of concerns from local builders who are finding a severe shortage of people, particularly in their 20s, taking up apprenticeships. I've started meeting with these groups; we've been meeting at Georgian College. I've identified a couple of things that I hope I can pass on to you.

One is the fact that because of the apprenticeship schooling mostly being done in the GTA, it's difficult for people to go to trade schools. We could develop more trade schools at the local community colleges. In some



cases in Toronto, for example, at George Brown, they have training on Fridays and Saturdays for 20 weeks instead of eight weeks.

The other thing that's been identified from my group, and it includes some people from Muskoka, is the fact that not a lot of people are actually willing to take on the apprentices. It may seem like there is a shortage, but if they're not being offered a chance—I'd like to know what your association is doing to promote the skilled trades actually taking on more apprentices.

1250

**Mr Dempsey:** It's always the problem that you have to get the experience, but how do you get the experience if you don't get the job? What we're suggesting is that some of the co-op programs may be a start, where we can give the kids a chance to at least get some experience and some safety training as well.

I think timing is really the secret. We're all so busy. We're building as many houses as we possibly can at this point, and we still can't keep up. You really don't want to let one of your employees off for three months to go and learn how to put in footings. You'd rather have him right there working, and that's really a problem.

We're looking at some Web-based training. If you have a rainy day—obviously in the construction industry weather is a problem—or it's too cold to work, maybe we can go on the Web and take some training and get some expertise that way. Certainly site supervision and a number of things could be in a Web-based training format.

**The Chair:** Mr Kwinter?

**Mr Monte Kwinter (York Centre):** Thanks for your presentation. I want to address the issue of the underground economy. Several years ago this committee actually had hearings on the underground economy, and it was really quite interesting. I can't remember if it was the Toronto Home Builders' Association or the Ontario Home Builders' Association—this fellow was in the renovation business and came to us and said, "It's really undermining our business. To give you an idea, I went to quote on a job to renovate a bathroom. It was \$21,000, and someone else came who wasn't a legitimate contractor, he was underground economy, and said, 'I'll do the job for \$7,000.'" He said, "I was able to sell the job to this person." I said, "You're either the best salesman in the world or you've got the dumbest customer in the world."

The problem you have is that some of these people who are in the underground economy, are working during the day in the so-called legitimate economy. The big losers, of course, are taxpayers, because they are forgoing the taxes. The worker is getting his benefits on his day job and making money on his night job. How do you deal with that?

**Mr Schepers:** That's an ongoing problem. As we like to say in Windsor, where there is a slowdown in the economy during the summer when they have a shutdown of the plants, we've got another 1,700 renovators on the market. You're absolutely right.

One thing we have tried to do is put out pamphlets to educate the public, and legitimate renovators or builders will be using those to try to sell their product. In that sense, yes, they could be good salesmen because they can sell people on the merits of using legitimate contractors.

I don't know of any easy way of getting around it. It's probably going to be with us for a long time. Something we can do perhaps in the building end of it is implementing some of what BRRAG is suggesting—what came out of the committee—where there is some actual training for builders. I don't know how it works with renovators at this point, but with the builders there would be some mandatory training before you could hang up a shingle and call yourself a builder.

**Mr Dempsey:** One of the problems with putting recommendations on a renovator that he has to have a licence and has to have all these qualifications is that it really turns underground some who would normally be legitimate because they are at the point where they are really competing directly with those guys who are underground.

We're suggesting voluntary registration is probably better. Let the market look at it for at least a few years, give those legitimate operators an opportunity to pull themselves up and then it may go mandatory down the road.

**Mr Phillips:** The rental issue is, to me, a crisis—I represent an area in Toronto—and your figures suggest it's a growing crisis. The numbers I've seen say we should be seeing somewhere between 15,000 and 20,000 rental units built per year. As your figures suggest, it is maybe 1,000 to 2,000, so it's a huge problem. I think you also say in here that because of the threat of rent control, there are relatively few who want to built rental accommodation. I think we've heard that every single year.

We can tinker around with things at the edges, and you've suggested some things here, but is there any significant likelihood that the industry is going to get into building a significant number of rental units, or do we just have to say to ourselves that we have to somehow collectively find another solution?

**Mr Dempsey:** No. Just on some of the numbers there, I think about 2,000 rental units were built this year. We recognize it's a lot more than that, that there is quite a pent-up demand.

Basically, when we're sitting at 71,000 houses, which is the highest it's been in 10 years, we're tapped right out. We are working as hard as we can to cover the needs of the housing industry. If a developer has a choice of going with rental that may cost him more in taxes down the road or going with private housing, certainly he's going to go with private housing.

What we're saying is, a condominium on Jones Street pays property taxes at certain rate. The one next door to it pays double that.

**Mr Schepers:** As an apartment.

**Mr Dempsey:** Yes, as an apartment. When you go to apply for money—CMHC will guarantee funds—the



premium on a very low risk project is about 2%; on rental it's 5%. That makes quite a difference.

What is happening is that probably about 40% of condominiums being built now are being rented. So the 2,000 rental units that were built this year is sort of a misleading number, because 45% of the condos being built are used for rental. The people in the traditional rental we now have move into a higher bracket and that frees up some of the lower-priced units.

**The Chair:** On behalf of the committee, I would like to thank you for your presentation this afternoon.

The committee will be adjourned until 2 o'clock.

*The committee recessed from 1258 to 1400.*

### BANK OF NOVA SCOTIA

**The Chair:** Ladies and gentlemen, we'll bring the meeting back to order. It is slightly after 2 o'clock. Our first presenters this afternoon are representatives from the Bank of Nova Scotia. I see you're comfortably seated, so if you could please state your name for the record.

**Mr Aron Gampel:** Aron Gampel, vice-president and deputy chief economist, Scotiabank.

**Ms Mary Webb:** Mary Webb, senior economist, Scotiabank.

**The Chair:** On behalf of the committee, welcome. You have one hour for your presentation.

**Mr Gampel:** Thank you very much. Both myself and my colleague would like to read into the record a report that we have prepared for you on the Ontario outlook, and we also have, accompanying it for your perusal at a later date, a little bit more focused article on the auto industry and its impact on Ontario.

Let me begin by saying that we're always very happy to come to Queen's Park to give our views on the outlook, and this is a particularly apropos time, because we see things changing quite significantly in the local economy.

Provincial growth will decelerate sharply this year as the US economy hits the brakes. Scotia Economics expects provincial output to rise by only 2.3% in 2001, in line with the national average but less than half the annual increases that Ontario recorded over the past four years. This abrupt throttling back mirrors the big drop in American growth, from 4.5% annual gains since 1997 to less than 2% this year.

Much of the growth in 2001 on both sides of the border will be back-end loaded into the second half of the year, with momentum building into 2002. Even next year, growth will probably be less than 3.5% for both Canada and Ontario. The good news is that North America will likely return to a solid growth trajectory, underpinned by the productivity advances stemming from new technology, low inflation, low interest rates and pro-growth fiscal policies.

The sudden change in prospects reflects Ontario's heavy dependence on the US marketplace. Export volumes last year topped two thirds of provincial GDP, and more than 90% of external sales are destined south of the

border. The US slowdown also will dampen overseas markets that are important to many provincial industries.

The US setback has been centred in the auto sector, which accounts for 45% of Ontario's exports. US motor vehicle sales have slumped in response to the declining confidence and spending power of American consumers. To reduce decade-high US inventories, Ontario production schedules for the first quarter of 2001 have been cut 18% from year-earlier levels, with negative fallout to industry suppliers along the production chain.

Despite the setback in external markets, provincial activity will be cushioned by continued strength in construction and locally focused service industries. The economic revival in Ontario and the rest of Canada lagged the US trend by a substantial margin in the early 1990s, creating a backlog of pent-up demand that continues to underpin sales and investment. Low interest rates, a very competitive exchange rate and fiscal stimulus at both the federal and provincial levels also will provide us with a performance edge during the difficult months ahead.

The Ontario economy retains considerable momentum at this time, adding 16,000 new jobs in January, roughly in line with the average gain over the past year. However, mounting layoff announcements point to lower employment in the coming months. Ontario's help wanted index, a leading indicator of provincial hiring trends, fell 1.5% in January. We expect provincial job growth in 2001 to be less than half of last year's 3.2% rise, pushing the jobless rate up over half a percentage point toward 6.5% by mid-year.

Consumer spending in Ontario has already begun to soften after an exceptional performance through much of last year. There was virtually no growth in retail sales between August and November after an annualized increase of close to 9% in the first seven months of 2000. The fall-off in spending mirrors an erosion in household confidence, with the conference board's index of consumer sentiment for the province down 7% from a year earlier in the final quarter of the year. The number of consumer bankruptcies filed in Ontario between January and November was 2.5% higher than the year-earlier period, following double-digit declines in both 1998 and 1999.

Housing starts reached 72,000 units last year, the strongest performance since 1989. While tight rental markets and low mortgage rates provide important support, softer economic conditions will make households more cautious about big-ticket spending. New home price increases have already begun to moderate, and the value of residential building permits was down 2.5% from the previous year in the fourth quarter. For 2001, we expect provincial housing starts to edge down slightly to about 70,000 units.

In contrast, non-residential construction should post further gains, driven by a legacy of project deferrals from the 1990s. Vacancy rates for office and industrial space remain very tight in many centres. Spending on infrastructure has also revived with the improvement in government finances.

Ontario's export-oriented manufacturing sector has already begun to feel the brunt of the US slowdown. Provincial manufacturing shipments were up just 4% in the 12 months to November, one third the pace recorded at the beginning of 2000. According to the latest national business conditions survey, 43% of manufacturers expect to cut production in the first quarter of 2001 and 19% expect to reduce their payrolls. An increasing number of firms, particularly those in the motor vehicle and steel industries, were concerned about softness in new orders and finished product inventories on hand.

By late spring, US motor vehicle sales are expected to tumble 18% below the record sales of 18.2 million units posted in the first quarter of 2000. This decline is only slightly less than the 21% decrease witnessed during the early 1990s recession. Even more worrisome is the slow revival in US vehicle sales expected for at least the next two years, given the low average age of the US vehicle stock and the extended life now expected of new vehicles. As a result, competition and pricing pressures will remain intense in the North American automotive market, forcing cost cutting and innovation.

In 2001, assemblies are forecast to be cut by 12% in the United States and 11% in Canada. For this nation, this is roughly double the cumulative decrease in 1990-91, reflecting its large and increasing share of North American automotive production. Since the late 1980s, Canadian assembly capacity has climbed by more than 40%, raising its share of the Canadian-US total from 15% to 19%. Canadian auto parts now average \$1,900 per North American vehicle, double the level of a decade ago.

For Ontario, the motor vehicle industry remains a bellwether indicator, accounting for more than one fifth of the province's manufacturing output. The industry posted more than half of the province's hefty export gain during the past four years, beyond its 45% share of merchandise exports. We estimate that this year's downturn in the motor vehicle industry will shave approximately 0.7 of a percentage point from Ontario's real GDP growth, and the result could almost be double when all the indirect effects are factored in.

#### 1410

The consolidation in the automotive industry will extend across southern Ontario because of its widespread network of manufacturing and service suppliers. The Big Three auto makers, having witnessed the steepest slide in sales, are expected to trim their production by 13% this year, while transplant assemblies will be down by only 1% to 2%. Beyond the historic concentrations of automotive activity in Toronto, Windsor and Oshawa, the share of automotive employment in the Kitchener-Waterloo area has climbed, while London is involved in heavy trucks and auto parts as well. Other centres, such as Hamilton, are the location for key suppliers, such as the steel industry, whose earnings are being further undermined by intense import competition.

On a brighter note, Ontario's auto industry should benefit from its relative competitiveness as North Amer-

ican production revives. Canadian assembly plants have higher productivity and lower unit costs than their US counterparts, even before the low value of the Canadian dollar is taken into account. Parts producers, after investing more than \$10 billion over the past decade, are far better positioned than in the early 1990s. They have avoided the excessive debt leverage incurred by their larger American competitors, and a recent sample indicated that their gross profit margins were 30% higher.

In this downturn, several key industries and policy considerations should limit the correction for Ontario, making it far less severe than the 5% contraction in output incurred by the province during the recession at the beginning of the 1990s. Looking further forward, Ontario's growth is expected to exceed the 1.9% average of 1992 and 1993, the initial years after the recession ended.

The automotive sector is only one of several Ontario industries to post stellar performances over the past four years. Other industries—electronic and telecommunications equipment, computer services, construction and tourism—should maintain positive, though slower, growth this year.

A low-valued Canadian dollar will continue to benefit many of Ontario's industries. Our dollar is expected to appreciate only modestly as international investors diversify away from the slowing US economy. However, it will still face significant headwinds and is unlikely to move sharply above 71 cents US over the next two years.

Many of the excesses that characterized the Ontario economy in the late 1980s are not apparent now. Commercial and industrial space, for example, has not been overbuilt, and vacancy rates at the end of 2000 were at, or approaching, record lows. Considerable infrastructure spending, after a major pause during the latter half of the 1990s, is either underway or planned.

Both monetary and fiscal policy are in pro-growth mode. Canada's core inflation rate is forecast to remain well within its 1% to 3% target band, allowing monetary officials to pursue even lower interest rates during this period of slower economic activity. On the fiscal side, Ottawa and Queen's Park have accelerated personal and corporate tax reduction, and boosted spending. These stimulative policy settings should be positive for business investment and encourage consumer spending, given the considerable pent-up demand still existing among Ontario households.

I'm now going to just pass the baton over to my colleague, who will give the fiscal outlook.

**Ms Webb:** As North America's impressive expansion cools, it is increasingly important to keep Ontario's business environment competitive. The slower revenue growth we forecast for next year will force difficult trade-offs in key areas, such as infrastructure, social programs and taxation, that are so critical in attracting new investment. The province's greatest challenge may lie ahead in accomplishing further fiscal improvement in a slower growth environment.



Robust expansion over the past four years has generated 6% annual growth in Ontario's tax revenues, even while major personal income tax cuts were being implemented. Retail sales and corporate income tax receipts averaged annual gains of 8% and 10.6%, respectively. Each year, large interim increases over budget revenue estimates have allowed immediate allocations to urgent spending priorities and provided a margin for further tax cuts the following year. For fiscal 2001, the government now estimates that its revenues will be \$2.2 billion higher than the original budget estimate. The risk is that next year's interim adjustments may be less encouraging.

Typically, Ontario's taxation revenues have exceeded expectations when growth is strong and fallen short of budget estimates during periods of retrenchment. With earnings being severely compressed in a growing number of sectors, softer government receipts, particularly corporate income taxes, will highlight the province's key structural weakness: a \$114-billion debt that requires over \$9 billion of debt service annually before other priorities can be addressed. Without the whopping annual revenue gains that we've experienced in recent years, this burden makes it hard for Ontario to keep pace with aggressive tax cuts in a couple of other provinces and in the United States.

In the last couple of years, Ontario has vied with Alberta in lowering taxes. Alberta, however, is comfortably covering its limited, and declining, interest charges with investment income. In contrast, Ontario must use 14.5 cents of every revenue dollar for debt charges.

We therefore encourage the province to fulfill, and better yet, exceed, its current commitment to repay at least \$5 billion of debt from fiscal 2000 to fiscal 2004. The initial savings appear small, but by year five, cumulative debt retirement of \$5 billion to \$6 billion would slash the annual debt service by almost \$300 million. Fortunately, the government also has substantial amounts of high-coupon debt maturing over the next few years. The total debt service saving from a combination of the committed debt retirement and advantageous re-financing should total about \$1 billion in fiscal 2004 and each year thereafter.

Tax cuts for fiscal 2002 should be targeted to maximize their longer-term benefit. Options include accelerating the corporate tax cuts announced last spring. For 2001, the province may set made-for-Ontario personal tax brackets and rates, an important opportunity to modify the current structure to better suit Ontario's circumstances. Key to this redesign should be raising the threshold for the highest income tax bracket to reflect the growth in individuals' incomes and living expenses over the past decade.

In an environment of more moderate growth, Ontario's profit-insensitive taxes should be reassessed. In particular, corporate capital taxes fall most heavily on those firms enhancing their longer-term capital.

Sustaining the province's competitiveness also requires constant upgrading of its physical and education infrastructure. Close coordination with junior and senior

levels of government and the private sector will be required to adequately stretch scarce tax dollars.

The province's substantial fiscal repair in recent years leaves Ontario much better positioned than it was in the early 1990s to withstand the soft North American markets anticipated. However, debt reduction will remain the key to sustaining the province's drive to be one of the most competitive tax jurisdictions in North America.

**Mr Gampel:** Let me conclude the formal part of our presentation by focusing on the risks to the outlook.

The economic risks are primarily on the downside in North America's current uncertain economic environment. The US slowdown could be both sharper and more protracted than forecast, resulting in greater dislocation for the Ontario economy. This development would seriously dampen the province's revenue growth and fiscal options.

1420

The massive US trade imbalances with virtually every nation leave Canada's key industrial sectors exposed during this downturn. While the Bush administration supports freer trade, particularly in the western hemisphere, potential trade sensitivities will still exist in the United States. Moreover, in the NAFTA bloc, Mexico could represent an increasingly competitive challenge to Canada as its improving productivity builds upon its current low-wage advantage.

The final risk relates to Ontario's fiscal priorities. If the province delays substantively addressing its debt burden, it will become increasingly difficult for Ontario to match the initiatives anticipated in lower-debt jurisdictions, such as Alberta and a number of competitive US states. Even if Ontario comes through this correction largely unscathed, the province requires greater fiscal insurance to face future setbacks, as well as the longer-term demands of an aging baby boom generation. Thank you very much.

**The Chair:** We have approximately 10 minutes per caucus. I'll start with the government side.

**Mr O'Toole:** Thank you very much for a very academic and informative presentation. I look forward to reading the more detailed things on the vehicle side.

I'll just start with the impression I get—you know, you're one of the leading financial institutions. I noticed a language impression right off the bat of a heavy emphasis on the negative, although I heard a speech yesterday by the Bank of Canada—it was on the news of one of the networks last evening—and they were not as aggressive as you on the slowdown and impact and its forecasted turnaround. You're using "slowdown," "tumbling" and "declining," those kinds of words that perhaps are a self-fulfilling prophecy. You know what I mean? If you're saying it, and I'm the investor in your bank, I'm saying, "Gee, maybe I shouldn't." You know that argument I'm sure.

But in a specific sense, I would just like to comment on two parts in your presentation and Mary's which I found a bit of an anomaly. I'm not in a position to criticize you, but I am questioning you. On your second



page, you spent some time talking about both the decline and the growth in the auto sector. Your chart on the bottom of page 2 probably tells the story better than the words. The decline you're referring to is more than offset by the relative growth in competitiveness in the North American economy. They're able to sustain the turnaround quicker. Maybe you could comment on that.

I think you dramatize that impact in the economy, and yet yesterday the minister was very clear when he talked more positively about the accelerated growth in the expansion in the high-tech sector. He didn't spend as much time on our traditional dependence on the auto sector, not that he ignored it, but certainly you've spent a fair amount of time on the auto sector decline here having the longer-term effect on the supply side.

Mary, on your side, I had another thing too. On one of the last pages that you were talking about—and I'm going to ask you a question—you started off by saying, "Without a whopping annual revenue gain, this burden makes it hard for Ontario to keep pace with aggressive tax cuts in a couple of other provinces and in the United States." I'm wondering, should we remain competitive? That's what they're all saying, that we have to keep competitive with our trading partners and certainly the ones in closest proximity. Should we do it? In a tax policy area, should we continue with the corporate tax cuts and the other tax cuts that encourage investment, encourage us to be competitive for investment, attracting investment, which would be the turnaround? The recovery, if you will, will be the continued investment climate.

Then at the very end of that, you say, "However, debt reduction will remain the key to sustaining the province's drive to be one of the most competitive tax jurisdictions in North America." You sort of answer the question, and the question is: should we not continue with tax cuts, both corporate and personal, to remain competitive based on the paper you've presented here? You've presented both sides of it. Are you saying we should continue tax cuts, both corporate and otherwise, or not and be competitive with our partners? That's the question.

**Mr Gampel:** Lots of questions there to answer.

**Mr O'Toole:** You presented lots of them.

**Mr Gampel:** It's OK. Let me try to address some of them first and then I'll pass the baton again to Mary.

What we reported to you is largely what has already happened in the North American marketplace. The difference in this cycle compared to if we go back just a few years ago to the Mexican peso crisis in the mid-1990s or the Asian flu epidemic that swept over our shores in 1998, this time around the difference is that the slowdown—and you have to use the term "slowdown"—that is emanating out of the United States is internally generated. Therefore there is, in our opinion, more risk to Ontario and Canada as a whole because our major trading partner that we have become increasingly integrated with is undergoing a very sharp slowdown.

The markets have already reacted. Interest rates have come down dramatically. Central bankers have begun cutting rates a little bit more obviously dramatically in

the United States than in Canada. The stock markets have reacted as well to the severe profit compression that's already underway. Markets have already reacted, and businesses are now adjusting to the slower sales environment that has largely taken place.

We are at a loss of course early in this new year because we don't have a lot of data. We do know, for example, that the national employment situation has slowed down, although in Ontario it did not in the latest month, but the trends would suggest that the slowdown in sales and in production to redress the inventory is underway. As we get our numbers, and they are lagged in this country, in this province, we will find this slowdown is intensifying.

I don't think we're promoting any unnecessary concerns beyond those which have already been in the marketplace. Anyone who has looked at their portfolio balances and their monthly statements has known for quite a few months now that things haven't been all that good, because the earnings weakness has been reflected in declining stock market valuation. I think what we're trying to present is a picture of conditions which have slowed, but are not into the negative growth territory. We did not use words which I think would be inflammatory. One starts with the letter "r," and we purposely have avoided that because it's not our forecast. We think we are cushioned and that for this year we will probably outperform the United States, which I think in this type of environment is exceptionally good.

Again, you had mentioned as part of your question the competitiveness of many of our industries. There's no question we have become a much more regionally balanced and diversified economy, and the high-tech sector is certainly one that we can point to as being a large contributor. In fact, on a national basis—and of course Ontario bulks so large that the statistics are going to be largely Ontario-dominated—that sector of the economy that really is only in the range around 7% of our GDP has accounted for around 20% of our growth over the last three years.

The high-tech sector remains very fundamentally an important part of our long-run growth prospects, but the interesting thing is that even the high-tech sector is not invulnerable. What we've seen is quite a significant retrenchment in new orders. A large part of that is emanating out of the United States, but it's also backfilling into Canada as well. You have to remember that the economy is so integrated that if the auto cycle slows down—the automakers are one of the key industries that buy a lot of this technology, and with the problems that have developed in certain areas of the technology market, they were big buyers of technological-related equipment and services. What we're seeing is that two of the high-growth areas of not only the Ontario economy, the Canadian economy and the US economy, but really the global economy, have lost momentum. These areas are growing. They're just not growing as fast. Of course the cutbacks on the auto side are dramatic, but they reflect the fact that the automakers are not expecting the sales

performance to match the stratospheric levels that they have reached. We just came off of a decade of record-setting growth in the United States. It's hard-pressed to ensure that Americans are going to continue buying at the same pace that they have in the past, and most of our production is geared toward that US market.

I think I have tried to answer some of the question. I'll pass it to Mary as to the fiscal question you asked.

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**Ms Webb:** I have just one further comment to add. We look for profits in Ontario to fall by at least 3% on average this year, and we would definitely look for earnings declines in the first half of the year. If we're right, and given all the announcements we're getting from a number of Ontario's key industries, it's hard to envision that these businesses will not respond with cost-cutting and rationalization, just because of the realities of the marketplace.

On the fiscal side, I'd emphasize that we don't consider debt reduction and tax cuts as mutually exclusive. In fact, we think they're complementary and that they can and should be accomplished simultaneously. Ontario's fiscal record in the past few years has shown that to be true. I'm concerned that it has been relatively easy in the past couple of years because revenue growth has been sufficiently high that a whole bunch of priorities could be addressed. We could start corporate tax reduction; we could replenish some capital spending for universities. We had enough money to cover a lot of bases. Our forecast shows that for fiscal 2001-02, that's not going to be the case. Revenue growth will be more moderate, and so it becomes a careful balancing act. That's why we were emphasizing that tax cuts need to be targeted to those that will provide the best longer-term structure that will optimize the results.

Having said that, I think Ontario's industrial structure and the growing importance of high tech in the province only underlines the really critical need for us to stay tax-competitive. We have the States moving ahead on tax cuts both in Washington and with so many of the states already having five to seven years of tax cuts under their belt, and there's no denying that Alberta will be moving and I think you'll see other provinces moving as well.

**Mr Phillips:** I'll start. Thank you very much. Just from our side, we like economists to come in and tell us not what we want to hear but what is your best estimate of what's going to happen. I think Scotiabank, if you go back over the last 10 years, has probably been the most accurate economic forecaster. I think you would find that. So I welcome your coming in and giving us your best advice, and I think your bank customers do too. They want to know what's going to happen. As I say, if you tracked the last 10 years, I think Scotia's been the most accurate of any of the forecasters.

Having said all of that, just your advice on a few things. One is on job growth. I look over the history of job growth, and I've never seen job growth exceed real GDP growth in percentage terms. It looks like job growth's been at the rate of maybe 60% of real GDP

growth. I see in here you're predicting GDP growth of 2.2% and job growth of 1.4%, and then 3.1% and 1.7% next year. What advice do you have for us as to what we should be looking at in terms of job growth in the economy, what kind of a factor of GDP, or do you use another factor for estimating how many incremental jobs the economy's going to generate?

**Mr Gampel:** I don't know, Mr Phillips, if we look at it in those terms. I think how we tend to do our forecast is to look at the sectors specific in that regard and try to build up. There's no grand model here that spells out something, that there's a direct relationship between GDP and employment. I think what we're seeing is an attitude on the part of business right now to become a bit more cautious because of the speed of adjustment.

I must tell you in all honesty that in talking to customers and prospective customers in recent months, things were going exceptionally well for many of Ontario's and Canada's businesses up to some time in, I would say, maybe early fall. All of a sudden things just fell very, very quickly, and a large part of it was not domestically; it was coming out of the United States. Of course, with the increasing export focus of our businesses, they were feeling it, and we were getting that sort of feedback from our customers, yet it wasn't really showing up in the numbers until later on.

But what has happened is that across a broad swath of industries we're seeing, obviously—at least the feedback I'm getting is that the softening was so dramatic that businesses are in the process now of adjusting their growth in terms of adding. Outside of certain industries which have already indicated they are cutting employment, we haven't seen a lot of firms yet in this country or in this province letting workers off. What we're seeing of course is a change in sentiment, that they're just not hiring as much as they have been in the past. So a lot of it is a function of the changing attitudes and a much more pragmatic approach to the outlook that is rapidly developing.

I think that as policy-makers here, whether it's David Dodge or his predecessor, Mr Thiessen, or even Mr Martin—of course Mr Greenspan has been increasingly vocal in the United States—it's been the speed of the downturn, not the fact that there was a slowdown coming. It was the speed of the downturn in the United States that has caught everyone off guard. So what we're trying to reflect here—and a large part of this is subjective. Although Mary spends a lot of time and a lot of the bank's money on the computer, there's clearly an amount of subjectivity here in how we are looking at the employment conditions. Based on what we've seen in prior cycles, we think this is probably a very moderate response. But anecdotally there have been a lot of indications that businesses have become extremely cautious now and have tempered their hiring plans.

You see it, for example, in the high-tech sector, where there has been quite a major shift, where the demands were so strong that you couldn't fill positions. Certainly in our organization, which is a major purchaser of IT



types of goods and services, the demands were so high, and of course there is tapering off. There is tapering off across a broad array of sectors. I think this is what we're trying to portray here, that the demand has softened.

**Mr Phillips:** There's a debate on how important exports are to Ontario's economy, particularly international exports and particularly exports to the US. You seem to place a higher emphasis on the importance of exports to the Ontario economy than others do, including, I might say, the finance minister. Why would there be kind of a difference of opinion on the impact of exports among those who look at the market? As I say, what I take from your presentation is that it's going to have a much more immediate impact on Ontario's economy than others would think, including the finance minister.

**Mr Gampel:** To be honest with you, I think we may choose to emphasize it more because of the increasing focus that Canadian and Ontario businesses have been putting on, obviously, expanding their reach. So in this new age of globalization and rapid communications there is a much more highly evolving focus on conditions in our major trading partners and other trade linkages. So personally I would weight that.

Upon saying that, our forecast has growth slowing to a rate of growth that a few years ago we would have thought was pretty good, somewhere around 2.5%, after this superheated growth that we came to like and hope would stay with us for a long time.

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So we're still saying there is enough resiliency in the economy and enough areas of strength that will keep us going. There are enough infrastructure projects in this province and across the country to keep us going for quite a while on the construction activity side. So I think there are a lot of domestic-related strengths.

However, I think it's clear from our standpoint that this is a much more globalized environment, and therefore the linkages—the auto sector is a clear example of where we are outsized producers relative to the domestic market. Therefore it's not surprising that we would feel that if the US shudders, we're going to feel it a little as well.

**Mr Phillips:** The government no longer gives us any kind of revenue forecast, which I find disappointing. We kind of have a \$60-billion business and we can't get a forecast of revenue over the next 12 months. It is done; they just won't give it to us.

I'm wondering what advice you have for us in terms of what factors you use to project revenue increases—I think you hint that it's above nominal GDP in some areas—so this committee, on the back of an envelope almost, might be able to put together some numbers of what we're looking at for the next year.

**Ms Webb:** We forecast your three major sources of taxation revenue: personal income tax, retail sales tax and corporate income tax. They run off an adjusted personal income number, the corporate profits we're looking at—I was indicating to you that we expect them to climb this year—and retail sales growth. From that we subtract the

known budget impact, or what we've assumed going forward, of any further tax cuts. In the particular scenario we've mapped out for the province, we've assumed that tax cuts are at least a billion dollars each year.

On the other revenue side, to be honest, we work in whatever special factors there are and simply look at the time series and what seems reasonable. Right now in Ontario's books, of course, there's quite a bit of complication because of the whole electricity sector, and that is definitely making it tough to come to a final number. But it certainly shows you the underlying trend.

On the spending side, we've assumed it stays relatively constant at about 12% of GDP. That is slightly more, in terms of growth, than population and inflation. We felt that was necessary, given that capital spending had fallen quite a bit in the latter half of the 1990s, that the government has stated its commitment to replenish that capital spending and that we will probably see spending growth in the order of 4.5% at a minimum over the next few years.

**Mr Phillips:** Are those calculations available to the committee?

**Mr Gampel:** I don't see why not. A lot of them are back-of-the-envelope.

**Mr Phillips:** It's more than we've got from the government.

**The Chair:** With that, Mr Phillips, your time is expired. Mr Kormos?

**Mr Peter Kormos (Niagara Centre):** You talked about superheated growth. Are you talking about the superheated growth of the Ontario/Canadian economy or the American economy?

**Mr Gampel:** I was referring to basically Ontario and Canada. Both growth rates were very high. Of course that basically piggybacked on what was happening south of the border as well.

**Mr Kormos:** So the growth was in the United States?

**Mr Gampel:** It's a combination.

**Mr Kormos:** I read your material and listened to your comments about the auto sector being presumably predominant in the American economy and one in seven jobs in Ontario being related to the auto sector, but it's the support of the Ontario auto sector for the US auto sector that drives the Ontario auto sector. Is that right? Have I misread that?

**Mr Gampel:** I think that—

*Interjection.*

**Mr Kormos:** Listen, Mrs Molinari, to the man answering.

**Mr Gampel:** I would classify it that obviously there are certain sectors in this economy which rely on strong growth in other countries. In this case, our auto production and parts sectors are obviously closely tied to developments in the United States, as well as to Canada. Other industries are much more domestically orientated—construction-related activity.

In this case, what we are showing in our forecast right now is that obviously we are succumbing to some of the pressures of a slow international growth environment led



by the US. It's an industry which is supportive of Ontario and Canada, as well as relying on the strength of the United States.

**Mr Kormos:** You mentioned three factors—the low interest rates, the very competitive exchange rate, and then fiscal stimuli at both the federal and provincial levels, and you put them in that order—as being the things that will protect us from an even lower downturn than what we would experience. Right? Were these factors as well in terms of the growth of the Ontario economy—the low interest rates, the very competitive exchange rate?

**Mr Gampel:** I think they were factors in helping Ontario and Canada to exceed the very sluggish rates of growth that we recorded in the early 1990s. I think they were factors that contributed. I think it's a compilation of factors, a compounding effect.

**Mr Kormos:** Earlier today I understand that Mr Stanford suggested to the committee that the tax cuts didn't cause the recent growth. Would you disagree with that? I wasn't here when Mr Stanford was here. I know him, though, and I find him a pretty intelligent and well-researched guy.

**Mr Gampel:** I'm sure that every economist you ask will come up with a slightly different answer. So I don't know if I'm going to be able to help you in analyzing this. Again, I think it's extremely hard to try to isolate one particular factor or just a couple of factors that are contributing to or have contributed to Ontario's very strong economic performance. I think a lot of it is domestically generated within the province in terms of the tax measures. A lot of it has to do with other factors within the province in terms of worker and productivity gains, education, a variety of other factors. A lot depends upon national changes—the interest rate environment, which is a function of national as well as provincial trends—as well as what's happening internationally. So I don't know. Personally, in all the years I've been forecasting, I've always found it difficult to say, and not just because I'm testifying before you today, that there is one answer or one reason why a region excels at any particular time. I think it's a combination of factors that contributed to it.

**Mr Kormos:** There's another reference in your submission that talks about the role of Mexico and NAFTA and the risk that that poses: "Moreover, in the NAFTA bloc, Mexico could represent an increasingly competitive challenge to Canada."

I come from down in Niagara region. We've got the GM plant down there and not a whole lot of stability in the employment there. Are you talking about the auto assembly industry?

**Mr Gampel:** I think it can be a variety of industries. I also come from the Niagara region.

**Mr Kormos:** We're both fortunate.

**Mr Gampel:** That's right. I can remember a lot of industries which are no longer there. But I think the key here is that even in very productive sectors of our economy now the competitive pressures coming from all over are immense. We live in this globalized world

where we want to trade, we want to grow, we want to improve our standard of living. It's a dynamic setting where the competitive challenges change basically on a daily basis. What I'm saying is that it doesn't have to be old industries that are affected by the competitive challenge; it can be new industries as well. That's why we indicated that during this period of profit compression the challenge, of course, is going to be for businesses to again focus on the bottom line and productivity enhancements, because that's what will keep us in business. There are always going to be competitive challenges from countries and jurisdictions around the world.

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**Mr Kormos:** You also speak and write about the prospect of the Big Three American automakers losing even more of their market share, and that's not something that you can write into the variables as a scientist, is it?

**Mr Gampel:** No, it isn't.

**Mr Kormos:** Last week, I read in the newspaper how the new Minister of Finance, presumably after talking to the province's experts, had talked about growth of—what?—3.1%. It beats 2.8%. I don't know a whole lot about these things, so I rely upon what I read. Then I read this week the Minister of Finance has changed his mind and said it's 2.8%. He said one of the banks suggested this. How is a Minister of Finance influenced so much by what a bank says when the Ministry of Finance has the expertise over here across the road crunching these numbers? Is that what you people call it?

**Mr Gampel:** I can talk just from our own experience. We appreciate the comments that Mr Phillips made about our forecasting record. The key here is that everyone was caught with their pants down this time around. The speed of the adjustment has taken everyone by surprise. This is a very humbling type of job. Throwing darts at the dartboard isn't that easy. We don't spend time checking up on our competitors, what they're doing with their forecasts; we have a hard enough time trying to come up with the answers. But I'll tell you that around the world there has been an almost instantaneous downgrading of forecasts. So it does not surprise me. Some have occurred faster, some have occurred at a slower pace, but universally most forecasters have been downgrading their forecasts.

To be honest with you, I know it makes a huge difference in provincial revenues and the outlook when you're talking a difference between 2.5% and 3%. Remember, we were just coming off growth rates of around 5% to 6%. There has been a significant downgrading of forecasts by everyone, and that just reflects the reality of the changing sentiment that's out there.

**Mr Kormos:** I suppose what causes concern is those variables you talk about that can't be arithmetically measured, like for instance a greater loss of market share by the North American Big Three; for instance by the increasing competitiveness of Mexico.

Mr Kwinter and Mr Phillips have been here twice as long as I have, but the three of us were here in 1989 and 1990, when I listened—I was much younger then—to the

experts from the Ministry of Finance. We enjoyed huge revenues. We had a balanced budget. I remember the newly elected government being in crisis because they were called together and they were told, "Oh, my goodness, there's going to be a \$2-million deficit," and then it was \$3 million. But of course it soon erupted into billions.

I'm wondering, what kind of margin of error is there? I agree with what Mr Phillips says about you. I don't dispute that he says you've had the most bang on, accurate predictions. But what's the margin of error? People were saying all sorts of things about the recession of the early 1990s, too, about the depth of it and the length of it, weren't they? They were all over the place.

**Mr Gampel:** Let me just go back to what I said before. What we're dealing with here is a dynamic sort of shift. We've come off this superheated growth, this productivity-driven growth. Economies had seemingly moved to a new and higher plateau and all of a sudden we've had this downshifting. Some are at lower growth rates, some are at higher growth rates. For your own purposes, you might want to look at consensus forecasts that are produced internationally, which look at what is happening and essentially average out what a lot of economists are saying. I think it's always hazardous to hang your hat on one particular forecast.

But again, I think the reality here is that our biggest trading partner—and I just go back to it again—has lost considerable momentum. With the expanded trade linkages that this country now has with that market, it's inevitable that we will have some slowing in our economy, in the provincial economy. What level? Again, this is our view. There are other forecasters out there. I think you throw out the highs, you throw out the lows, and you come up with an average that you're looking at for your own purposes. However, what we're trying to do is present the risk, that there is some downside risk here and that this should be taken seriously.

**Mr Kormos:** Is it also the case that you could come back in let's say three weeks and have a totally different set of predictions? One of the things I learned in the early 1990s as well is that over relatively short periods of time, all of a sudden the so-called fast and firm predictions were being changed every week. When you talk about the variables that can't be arithmetically measured, could you be here in a month's time with a dramatically different prediction than what you have today?

**Mr Gampel:** I think you could. There's always that chance, but I would say it's very low. For example, every day you pick up a news report of major layoffs that are occurring in the United States. Once you look at what the companies' names are, there is always a link into Canada or some other supplier that we are dealing with. I would say we can always change our numbers in microscopic amounts, but I don't think we're going to change for the next little while our feeling. I think we're pretty much happy with this type of forecast, this particular view, at this time.

Can our economists be wrong? Of course they can be wrong. However, one thing you have to take into account—of course, we focused a lot of our comments today on one particular industry. You have to remember that the temporary layoffs in the auto industry have already occurred or they are occurring as we are speaking. The permanent layoffs don't take effect until the second and third quarter. So there is a delayed impact of this. We're just at the initial stages of this. So I would be happy with where our forecast is right now.

**Mr Kormos:** I hope so. Like you, I come from Niagara. We've seen plants like Union Carbide, and Gallaher Thorold Paper, one of the two mills in Thorold, disappear. We've seen major downsizing at the GM plant there. Atlas Specialty Steels—and again, you talk about the auto industry and how it relies less and less, if at all, on stainless steel—significantly reduced their workforce.

Have you been there recently? The new jobs down there are the ones in Niagara Falls in the hospitality industry, which are seasonal and low-income jobs. I just met with a couple of hundred Gallaher workers, mill workers all their lives, who are going to go through a job training program and they're going to be told to become a part of the IT economy. These are mill workers. You know these guys: big, beefy fingers on them. These are big, tough guys who have worked in the mill all their lives, and they're going to start keyboarding at the age of 60? It's tough for those guys and their families.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

#### TORONTO-CENTRAL ONTARIO BUILDING AND CONSTRUCTION TRADES COUNCIL

**The Chair:** Our next group this afternoon is the representatives from the Ontario Building and Construction Trades Council. Could you please come forward and state your name for the record. On behalf of the committee, I would like to welcome you. You have 30 minutes for your presentation this afternoon.

**Mr John Cartwright:** My name is John Cartwright. I'm the business manager of the Toronto-Central Ontario Building and Construction Trades Council. With me is Dan McBride, who is the recording secretary of the council and a representative of the plumbers and pipefitters union in Toronto.

We appear in front of you today to talk about an issue that is politics, but it's politics expressed in dollars. That is the issue of the importance of strong cities in this province over the next decade and the fundamental crisis that's occurring as a result of downloading of costs and a basically unfair division of responsibilities between Queen's Park and the cities across this province, but particularly within the greater Toronto area and the core of the GTA, which is Toronto.



**1500**

It's ironic that even as we move into the overwhelming majority of Canadians and Ontarians living in cities, cities are still creatures of the province that can have their governance changed at whim, have their funding changed at whim, and not have a role that is constitutionally laid out. That's not up to this committee to change. But from our point of view, we represent people who build the cities. We represent 45,000 skilled men and women who are in the construction trades across the greater Toronto area and who have built everything that you see, from the subdivision housing up to the Air Canada Centre or the Sheppard subway line and in between—the factories, the hospitals, the schools.

We want to ensure that what we build is going to have some permanence. We want to be able to hold our heads up and say that Toronto is a city that is going to be and remain, as *Fortune Magazine* said some years ago, the best place in the world in which to live, work and do business, and, we would like to add, raise a family. In my own role on the city of Toronto's Olympic bid committee, 2008, I want to be able to hold my head up and say, when the IOC people come here on March 7 to 10, that they will be looking at a city which has a strong future in front of it, and when they vote on July 13, that we'll be well positioned to say we'll win that bid and carry out the Olympics properly.

But we've got a crisis at this point in time in downloading. I understand that when the original Who Does What exercise was taking place, there were two elements that were being talked about. One is that at the end of the day the responsibilities divided between municipalities and the province should be revenue-neutral. The second is that it should give clear areas of responsibility between the two levels of government. I think in both those cases we've seen that there has been a total failure.

I'm not here to throw stones, although I'm sure I can feel strongly about a variety of issues. I'm here to actually talk about what I think is a fundamental error in judgment that's been made and to request that that be critically examined to see how we can do things better for the future to ensure the strength of our cities. The strength of our cities is not just about megaprojects and glittering towers that our people get excited about building. It's not just going to be about fixing up the waterfront and the commitments of both the provincial and federal governments to contribute to that, along with the city putting in land. It's about what happens on a day-to-day basis to the men and women who live in the city, to their children as they go to school, as they look at day care, as they try to ensure they get adequate health care. We are in a situation now where the downloading in a whole series of areas and the cutbacks are starting to impact on that.

The biggest example, I'm sure, is the fight that's going on publicly or has been going on between the mayor of Toronto and various cabinet ministers and backbenchers from the government on who is responsible for what and whose fault it is. I don't think I want to get into that,

certainly not that tone, but in our submission, if you look at the areas of responsibility in the city of Toronto—and I'm using the city of Toronto mostly at this time to talk about something which is part and parcel of the GTA, especially for Mr O'Toole's benefit—the things that the city has to provide from its very limited and fixed revenue stream are unbelievable: police, fire, ambulance, transit, roads and highways, sewer and water, social assistance, public housing, recreation, parks, sports, swimming pools, child care, libraries, homes for the aged, garbage collection and disposal, and so on. To have to provide that on the basis of property taxes, along with some mixed contribution from the province which always has strings attached and is always limited, is just unbelievable as we are moving into the 21st century.

What we're calling for here is not to say that somebody is wrong in one place or somebody is wrong in the other place, but it's to say that we need to fundamentally have a new deal in how the province relates to the large urban spaces throughout Ontario, particularly the city of Toronto. That new deal is not just about municipal financing; it's also about school and education financing.

The funding model that has been imposed on the school boards, particularly in the city of Toronto but also other boards that have older cities and older schools, is unworkable. The concept of the square footage basis per pupil doesn't work in old schools. You have in the *Toronto Star* today a major article on overcrowding in portables in the Flemington Park area. Portables aren't covered by the funding mechanism.

When you've got a population like the city of Toronto, where we are proud to boast we have people from 169 different countries who speak 100 languages, the result of that kind of diversity, which is our strength economically and socially, is that it has huge impacts and burdens on the education system. So the city of Toronto's education systems must have a responsible and rational funding basis for them to carry on what they have to do.

It's not just about new Canadians coming here that we have to deal with those various social services. There's also the fact that if you're living in northern or eastern Ontario or Atlantic Canada and things aren't going well for you and work has slowed down, Toronto is an economic magnet. We, throughout the GTA, attract a whole host of people who are moving here from other provinces, and not every one of them finds success. When they don't find success, they end up being part of the cost of social service burdens that, again, must be borne based largely on the property taxes that are raised.

The figures the city of Toronto has recently released show that of every dollar raised from Torontonians in the form of taxes—income taxes, fuel taxes and other taxes—a nickel, in fact less than a nickel, derives to the city of Toronto through property tax, through its own sources. All those other services we talked about before have to come out of that nickel, which is absolutely crazy. Obviously, that does not account for the education tax coming back, in the footage, but it's not much more than that nickel.



So you've got a fundamental problem of an area that everybody talks about as the economic engine, the economic centre of this country, with a totally inadequate funding base to be able to deal with the issues that are its mandate and responsibility. Add to that the housing crisis, which in this province affects Toronto, with a vacancy rate far less than 1%, much harder than any other city. Rents are rising as tenants are being evicted, and thanks to the Landlord and Tenant Act or the Tenant Protection Act—whatever it's called—units are delisted and rents have risen over 4% just in the last year. Thousands of people are facing eviction every month, as it becomes more and more in the economic interests of landlords to ensure eviction so they can free up those apartments and raise the rents.

Affordability of housing has gone down the toilet, essentially. There are all kinds of high-rise condos being built. If you drive around here, there are lots of cranes. We're really happy for the cranes, very happy for those cranes. They keep the people we represent busy and give the next generation we're trying to train as apprentices a job opportunity. But the fact is that if all we are building is luxury condos and huge, sprawling single-family homes in the suburbs, we are not dealing with the issue of affordability of housing.

One of the elements we think the government of Ontario has to do is come back into the housing area in a very real way. You have to come back and start funding the creation of affordable rental housing. You have to come back and get over the distrust and dislike by this government of co-operative and non-profit housing. The studies all said the costs were the fault of the developers who jacked up prices on the land, not the cost of construction of that stuff and not particularly the cost of subsidies. But the reality is that we've now been waiting for six years for private sector developers to start building rental housing, and they're not going to do it because they can't do it at something that's affordable on the basis of 30% of family income going to rent.

We're saying it's an absolute responsibility of this government to get back into the affordable housing field. We've said the same thing, by the way, to the federal government. We are also going to talk a little about transit in a minute, and the message on that is the same to the feds and the province. In our opinion, the downloading of social housing, the downloading of Ontario housing on municipalities, is fundamentally flawed even though it comes with a chunk of money, because once again you're back to a base of property taxes to pay for thousands and thousands of what were formerly Ontario housing units, and the ongoing cost of those things is going to escalate and put on more and more pressure.

1510

I'm going to move on to transit. In the decade between 1987 and 1995, we spent a lot of time talking to anybody who would listen about the absolute need to develop rapid transit in Toronto and in the greater Toronto area, and the requirement for seamless transportation through there in order to deal with what would become trans-

portation gridlock and trucking gridlock as the GTA expanded. For a period of time, what was called RTEP, the rapid transit expansion program, was on the books with four lines. In 1994 that was cut down to two lines, and in 1995 that was cut down to one line, the Sheppard line going from Yonge Street over to Don Mills. The government of the day, in dialogue with Metro and the about-to-be mayor, Mel Lastman, agreed to continue funding the Sheppard line, as they had committed to.

But the reality is that the Toronto Transit Commission is going broke. You can't have a major subway system being paid for from the fare box at the level of 81%. It's a recipe for disaster. There is no other transit system in North America that does not get funding for operating capital from senior levels of government. We had the TTC as the premier transit system across this continent and being given award after award until the time it lost its funding source from the province. Essentially, it's like a stranded entity at this point in time.

We're saying, as part of the 10 points we want to talk to this committee about, that the province has to return to a funding formula of 75% for capital costs and that we want you to support the operational costs of public transit at a level of 30%. That's not just for the TTC; it's for all public transit systems throughout the province.

As a society, we're supposed to understand that we've got to deal with environmental issues and transit issues in a much more progressive and forward-thinking way than we have in the past. There are lots of folks who want to build more and more highways, but the reality is that if you want to deal with environmental issues and the Kyoto commitments of this country, we have to move more people on to public transit. The province of Ontario can't close its eyes and pretend it doesn't have to be part of the solution.

We've got 10 points, starting on page 2. Maybe I'll take you through them now. The first one is the funding formula for capital costs and operation.

The second is the social housing monies. The federal government gave the province a pot of change when it downloaded responsibility, and the province hasn't quite found a way to pass all that change on to the various municipalities. We think that should happen.

Housing: we think the province should enter funding arrangements with non-profits and co-operatives to provide 5,000 new affordable rental units every year.

There needs to be a more rational funding model for public and separate boards of education that reflects the real need of providing full educational opportunities for all children in Ontario. There has been a lot of talk in the last couple of years about early childhood education; Dr Fraser Mustard was the hero of the year just before the last provincial election. That needs to be followed up with funding to make those things happen, along with a respectful approach to the boards of education rather than an approach which denigrates the role of the boards of education and their elected trustees.

Point number five is around the environment. It's interesting—and you'll forgive me for coming back to

the Olympics—but I think people in this House sometimes view comments from the trade union movement as something that can be easily ignored. The reality is that one of the three pillars of the Olympic bid is the environment. It's required by the IOC. We have had a continual crisis around the environment in this province since the massive cuts to staffing and funding of the ministry and the ability to prosecute. The figure that came over a couple of years ago of 1,000 violations where only two were prosecuted is intolerable in the year 2001.

We understand we have a responsibility to fully protect the water, air, soil and public health of the people of Ontario and that the provincial government has to play a lead role in that. So we're calling on a return to the full staffing and funding for the Ministry of the Environment—also the Ministry of Natural Resources, I suppose, but that's not as much in the GTA issues—and to move forward on ensuring that energy saving and pollution control measures are in place to meet our share of Canada's Kyoto commitments.

The sixth point relates to the specific element of the commercial tax level in the city of Toronto. That's been an item for years and years. That's been our problem, the unequal level of taxation on commercial properties in Toronto. It is being evened out, but at this point today the province of Ontario levies a far higher amount of tax on commercial properties in Toronto than on any other city in this province in order to fund education.

Am I getting in people's way here; I'm not sure.

**The Chair:** I'll manage the meeting sir, I think, if you keep continuing your presentation. I don't need any help this afternoon.

**Mr Cartwright:** Thank you, Mr Chair. That's very kind of you.

The commercial tax should be immediately dropped to the provincial average and allow the city of Toronto to spread its property tax rates over from just a single-family home over to commercial to balance that off so that the family homeowner is not faced with the highest tax levels.

We want to see provision of funding for recycling and composting by municipalities to achieve a 65% solid waste diversion by the year 2008. Nova Scotia is the first province in this country to reach a waste diversion target of 50%. It did that in only four years. Once it put its mind to it and applied some political will to doing that, that was in place. The province needs to actually move behind those kinds of initiatives rather than flogging the Adams mine solution to death and trying to jam that on to unwilling municipalities.

The seventh point is around a general concern that we have over how we place Ontario on the cutting edge of competitiveness around environmental technologies. If you look at what's happening on the Ballard fuel system, that's going to have a massive impact on how our whole economy works two or three decades from now as you move away from a carbon/petrol-based economy on transportation. There are other areas that are equally

important around building design, building technology, what is called green construction, and we want Ontario and its businesses to be at the leading edge of that so they can garner the benefits of business opportunities and also job opportunities.

On the SuperBuild, we're very concerned about the mandate that much of the investment there has got to be done in private-public partnerships. We think the Super-Build fund should be delinked and should be applied for those facilities and infrastructure that are required.

The final recommendation that we would have, which we made before to other different committees, is that the province of Ontario should undertake a complete energy- and water-saving retrofit of all government buildings, including those controlled by agencies, boards and commissions. That is an area that we worked on, pioneering in the city of Toronto, about eight years ago. Of course, the massive increase in utility costs and natural gas costs now show the wisdom of spending a bit of money, doing the energy retrofit today and bringing those savings so that in some cases you'll have utility and energy savings of 60% to 70% as a result of those changes, and that's going to be to the benefit of the taxpayers as well as reducing the amount of electricity needed and generated and reducing the CO<sub>2</sub> emissions into our air.

I'm going to allude a bit about the gun to the head, because we've talked a lot about gun to the head in dealing with some labour relations issues, and move on to what I think is important for us to look at collectively, regardless of partisan positions that people have on either side of the House.

1520

From having a role in the last nine years as manager of the Toronto-Central Ontario council—again as I've said, of the people who build this city, build the greater Toronto area—I've come to understand through being on economic development committees, through involvement at waterfront regeneration trust and other areas, just how complex a large urban space like Toronto is and the vision that people have been talking about, where we're moving away from competition between nations and even regions and we're moving toward competition of city states essentially, and a different kind of role that cities are going to play in the 21st-century economy and the 21st-century global life.

We are shortchanging ourselves if we continue in a role that does not adequately provide the financial supports for the kind of rich social fabric that our cities have enjoyed and need to enjoy in the future, the kind of economic diversity that our cities need to have, the kind of infrastructure investment, the education investment and the public health investment, that will allow Toronto and other cities in Ontario to play a lead role in this century. I guess that's the message I want to leave you with, and I hope that I'll be able to answer any questions.

**The Chair:** We have a couple of minutes per caucus and I'll start with the official opposition.



**Mr Kwinter:** Thanks for your presentation. I agree with virtually everything that you've said. I have a problem with it, though, in that it would be a lot more helpful to me as a member of the economic and finance committee that's in a pre-budget hearing to at least have some estimated costs of all your recommendations.

We had a submission earlier today by a group called People for Education. They had a wish list as well, but they costed it. So at the end of the day when they left, we had an idea of what it was they were asking us to find for them, so we had a quantitative amount.

When I look at your recommendations, virtually every one of them has a cost attached to it. You're asking the government to fund this, to fund that, to do that. Have you done any work at all as to what this is going to cost?

**Mr Cartwright:** We don't have the resources to do the kind of economic analysis that large organizations like the Bank of Nova Scotia and others do. Much of the information that's there is shared by other groups involved in the housing area, in the transit area and in education, so I don't have numbers to put on those.

But I guess, Mr Kwinter, I also want to make it clear that I don't want to get bogged down in the question of, is this going to cost \$1 here or 98 cents there? What we want to do is paint a picture about the fundamental need for a new relationship between cities, large urban spaces, and the province.

Rather than having that message getting caught up in a disagreement over, I said it's going to cost \$180 million and somebody else said it's going to cost \$190 million, we want to bring to this committee—because as I said, finances are politics and politics are finances—that sense that there needs to be a different approach, that there needs to be a fundamentally new deal struck between the province and its cities and boards of education in order to ensure that our cities are strong for the rest of this century.

**The Chair:** Mr Christopherson.

**Mr Christopherson:** Thank you, John, for your presentation. It's interesting—you made how many recommendations?

**Mr Cartwright:** There were 10.

**Mr Christopherson:** You made 10 recommendations and, lo and behold, not one of them is a tax cut. If you'd been here this morning or yesterday, and certainly listened to the government members and some of the people they've asked to come here to speak, you'd swear that was the only thing that was going to solve the problem of dealing with the downturn. Whether it becomes a recession or not becomes academic actually. They're saying that everything is tax cuts.

Your folks are recognized, by and large, as receiving decent wages and decent benefits. Why are you not suggesting that tax cuts are something that should be of benefit? The government likes to say that it's not just the very wealthy in Ontario who benefit; it's the average working, middle-class family who benefits. You represent thousands of those very families. How come it's not one of your recommendations, John?

**Mr Cartwright:** I guess there are a couple of reasons. One is that what we're seeing happening is, as the costs are being downloaded, the taxes are being shifted elsewhere. So instead of taking it out of your pocket on a weekly basis, it now comes out of your property tax or your new user fees for your recreation centre, your swimming pool.

I remember in the early 1990s having debates with the federal Conservative government of the day around cuts to unemployment insurance. The issue was: "We've hit a deficit. Everything fundamentally has to deal with that." What I have seen, and to the best of my understanding, is that the actual total debt of this province has increased in the last number of years, and rather than having a reduction in revenue, which is what a tax cut represents, we would be recommending the opposite: there should be no further tax cuts. The deficit should be paid down once a new financial arrangement is reached with our urban centres. Because all the tax cuts in the world don't do you much good if your school is either overcrowded or being closed or if your kids have to suddenly start paying to be on a minor soccer team because the schools can't any more afford to give you that park or that school ground for free.

**Mr Christopherson:** They don't do you any good if you don't have a job, either. What we're seeing, of course, is that there are literally thousands and thousands of people who, in the last little while, have been given pink slips. For the government to say, "We're going to solve the issue of the downturn by providing tax cuts"—that's going to do absolutely nothing for those workers and their families. As you point out, there are increased costs all around them that they're paying for.

**Mr Cartwright:** There's an element of this, too. Without wanting to be a pessimist, the fact is that every day we pick up the papers and there's a new story about layoffs in the auto industry here, about downturns in the United States. I think we have to recognize that it's easy to throw money around during the boom, and when the boom ends, you've got to start talking about how to pay for that. If you cut taxes and reduce your revenue, which I understand has gone up something like 53% since 1992—the government of Ontario's revenue—and you reduce the income by tax cuts, when it starts to slow down and the American market no longer wants everything you sell in the same way, suddenly you're going to have a drastically reduced revenue. The result will of course be demands for cuts to more social services, more cuts, more downloading, and that's only going to hurt our people in the long term.

**Mr Christopherson:** Thanks, John.

**Mr Doug Galt (Northumberland):** Thank you for your presentation. I'm not going to criticize or get into a debate on the content of it, but I'm curious how I should respond to my constituents. My riding is Northumberland, the first riding immediately east to the GTA.

You're talking about more money for infrastructure in the city of Toronto or big cities. My riding is about 50-50, whether they're in small towns or cities, or on con-

cession roads. Those roughly 50% on concession roads are part of the three million people in Ontario who pay 100% for the infrastructure of water and septic systems. They also pay for the inspection; there's no support or assistance for them. I'm going to have to ask them for money to support the big city for their infrastructure, from what I'm hearing from your comments.

I need to know from you what I would say to them when I vote that way, if I was to vote that way, to build the Toronto transit when they're on a gravel road. I need to know how I explain to small-town Ontario—from what I'm hearing from landlords, and I certainly know in the apartment building my mother lives in near Kingston, the vacancy rate is increasing significantly. There are affordable apartments there. What do I say to those landlords who are putting money into affordable housing in the city of Toronto? What's my response? How do I explain myself as a politician, to answer to them when I am asking them for money for what you're asking for?

**Mr Cartwright:** I guess you look them in the eye and you say, "Do you want to go to Ottawa or Kingston or Toronto and see something that looks like Detroit, or do you want to be able to go down to the Eaton Centre and take in the theatre or do something special or go down to a lacrosse game at the Air Canada Centre and feel, 'Boy, this is a great place to be'?" Because that's really the kind of alternatives we're talking about.

A fundamental new deal between the province and municipalities isn't just about the city of Toronto; it's about all municipalities or regional governments. As some people are always fond of saying, there's only one taxpayer. So people, if they're going to end up paying for stuff out of property tax and having it loaded on there—it's still a cost to them, as compared to seeing services reduced, education being reduced, and the general safety and economic prosperity, because as Toronto is an economic engine, as we move toward the reality—and this wasn't preached at me from labour economists, by the way; this was somebody that Alan Tonks brought up from Texas, back when we had Metro, talking about the city state and how we have to transform into city states with very strong regional economies and that's going to be the basis. The hinterland in those areas will live or die based on that prosperity.

1530

We also represent, obviously, a ton of members who live not in the city of Toronto. The majority of our members live in the 905, in fact, but those members who live in Georgetown or Acton or Northumberland and drive into Toronto and work at de Havilland Aircraft or work at the General Motors plant, or who drive across the 401, are now having services like the 401 provided to them by the taxpayers of Toronto because the highways have been devolved to the city of Toronto. If fire trucks have to come for a fire on the highway, that's something that's now been devolved on to the city. So we're looking essentially at a fundamental new deal that really talks more about the integrity of urban spaces, of large urban

centres, because the reality is that's the changing nature of our economy on a global scale.

**Mr Galt:** A very large number on concession roads in my riding—

**The Chair:** Mr Galt, we've run out of time.

On behalf of the committee, gentlemen, thank you very much for your presentation this afternoon.

#### CO-OPERATIVE HOUSING FEDERATION OF CANADA, ONTARIO REGION

**The Vice-Chair (Mr Doug Galt):** Our next delegation is the Co-operative Housing Federation of Canada, president Joyce Morris and Michael Shapcott. Maybe just state your names in case I didn't say them clearly enough. Welcome. You have a half-hour in total for presentation and questions from the three parties, which will be divided up equally among them.

**Ms Joyce Morris:** Thank you, Mr Chairman. Yes, you did get my name right. I'm Joyce Morris, and with me is Michael Shapcott.

Thank you for the opportunity to make a pre-budget submission on behalf of the 125,000 women, men and children living in non-profit housing co-operatives across Ontario. I am the president of the Ontario council of the Co-operative Housing Federation of Canada. With me today is Michael Shapcott, our manager of government relations and communications for the Ontario region.

I live in the New Generation Co-op in Kitchener. About 30 families find our co-op to be a good place to call home. If you were to visit—and, Ted, I'm still waiting for that visit; I hope every member of this committee will stop by—you would think that our co-op is a very simple but pleasant single-family neighbourhood, well maintained by residents who are obviously proud of their homes, and you'd be right.

The 550 co-ops in almost every part of Ontario come in lots of different shapes and sizes—high-rises, townhouses, single-family dwellings—but there's one thing that makes every one of them special: the members who live in the co-op own and manage their homes. Housing co-ops, much like farm co-ops, credit unions and our other co-op partners, are based on the self-help principle. We work together to operate efficiently as small, community-based businesses, yet we also take very seriously our responsibility to provide good-quality homes to low- and moderate-income people.

Since our appearance on February 3, 2000, in front of this committee, there have been two important developments regarding housing in Ontario that we would like to address in our pre-budget submission for the year 2001. The first is the Ontario Social Housing Reform Act, proclaimed on December 12, which completes the transfer of provincial social housing programs to municipalities. The second is the province-wide housing crisis, which has grown even worse in the past 12 months despite efforts by the Ontario government to encourage affordable private rental construction.



The Ontario government transferred the cost of provincial social housing programs to municipalities in January 1998. The Ministry of Municipal Affairs and Housing put the total cost at that time at \$905 million. Last year, the ministry started billing municipalities for the cost of the provincial bureaucrats who administer Ontario's social housing programs.

About 250,000 social housing households are directly affected by the provincial transfer. As the rental market deteriorates in almost every part of Ontario, it is absolutely critical to protect this important asset.

The decision to download the cost of social housing to local taxpayers is a controversial one, and it is still difficult to find any social housing providers, municipal leaders, business representatives or others who support it. Nevertheless, the government pushed ahead with its plan. The passage of the Social Housing Reform Act starts the process of transferring the administration of social housing programs to municipalities. By June 2002, the transfer is expected to be finished.

We join with municipal leaders and others in saying that social housing programs should not be funded from the municipal tax base. The province has the responsibility, and the capacity, to fund social housing programs. Our first recommendation to this committee is that the funding for the entire cost of provincial social housing programs, including the cost of administration, be restored to the provincial level.

A significant amount of the social housing stock that the province is handing over to municipalities is already funded by the federal government. This includes the housing programs transferred from Ottawa to Queen's Park when the social housing transfer agreement was signed in November 1999. The federal money goes to the Ontario government. The province hands the money over to the municipalities. With the federal government already paying its share of social housing costs in Ontario, there is no reason why the provincial government should not also pay its share.

The co-op housing sector has a plan to administer co-op housing programs that was tabled at the last federal-provincial-territorial housing ministers' summit in Fredericton in September 2000. Our plan calls for a new national agency that would administer federal co-op housing programs. A high-level committee of officials representing Canada Mortgage and Housing Corp, the Co-operative Housing Federation of Canada and several provinces is examining this proposal. In meetings with the last two ministers of municipal affairs and housing, we have suggested that Ontario join this initiative by transferring administration of provincial co-op housing programs to this proposed new agency. Unfortunately, neither minister has chosen to take up this plan. But whether the province embraces our agency proposal or not, it should pay its fair share of the cost of social housing by restoring provincial funding. The provincial social housing program cost an estimated \$905 million in 1997, according to ministry estimates. Municipal taxpayers should not be burdened with this amount.

Our second recommendation is that the province immediately top up the critical shortfall in the capital reserves of housing co-ops and other nonprofit housing providers. The capital reserves for social housing are supposed to be built up during the early years of a housing project. They help pay for necessary repairs as the buildings and their systems age. Any prudent homeowner puts aside a small amount of money on a regular basis to pay for major repairs such as a new roof or a new heater as they wear out.

The need for capital funding is most acute in the former Ontario Housing Corp stock, which was transferred to the municipalities on January 1 of this year. Much of the housing was built more than two decades ago, and repairs are needed to deal with the aging of the buildings and their major systems. Most co-op and non-profit housing in Ontario was built more recently. We have been able to build up some capital reserves over the years. However, policy decisions by the provincial government over the last decade have led to serious shortfalls in co-op and non-profit capital reserves. Queen's Park made a partial top-up several years ago, but the shortfall remains.

There is no reliable estimate on the dollar amount of the shortfall. Peel region did a study in 1999 and, based on a local analysis, projected that the provincial shortfall could be as much as \$1 billion. This number could be high, or it could be low. This is the amount needed to top up reserves, not the annual cost.

Several municipalities have started a detailed audit of the provincial social housing stock in their communities. Co-ops are of course co-operating with them. We expect that this process will, in time, reveal a more accurate number as to the dollar shortfall in capital reserves. What we do know now is that the shortfall is substantial and that the province has a responsibility to make sure that capital reserves are adequately funded before the transfer of Ontario social housing programs to municipalities is complete.

We want to make a few comments about the rental housing sector in Ontario. We think it is important that this committee understand the scope of the problem facing renter households in order to appreciate our recommendations for the necessary solutions.

#### 1540

The housing crisis has grown much worse in Ontario since we last appeared before this committee. Every indicator points to a crisis in the rental housing sector that is generating more distress and increased homelessness.

Overall, the Ontario rental vacancy rate dropped in the year 2000 from 2.1% to a critically low 1.6%. That means that throughout the entire province there were only 10,000 vacant units out of a total universe of 611,000.

When the province stopped the funding of new social housing in 1995 and cancelled 17,000 units that were under development, it said the private sector would pick up the slack. In 1996, then Minister of Municipal Affairs

and Housing, Al Leach, confidently predicted the private sector would build 20,000 new rental units in the greater Toronto area alone. Only about 1,300 new private sector units have been built over that time, and most of these are high-end rental.

The private sector has failed to build even a fraction of the 17,000 units the Ontario government cancelled in 1995. Canada Mortgage and Housing Corp, using numbers from the 1996 census, estimated that Ontario would need about 80,000 new rental units from 1996 to 2001 to meet the needs of new rental housing. The private sector has built only 8,000 of these units, again much of it high-end rental.

The supply problem is made worse by two additional factors. First, the demolition and conversion of existing rental housing has reduced the amount of housing available, even as the need grows. Hamilton and Ottawa, for instance, have seen a net loss of hundreds of rental units in recent years. This trend can only get worse as the effects of the decision in 1998 to cancel the Rental Housing Protection Act continue to be felt.

Second, as of 1998 the province has cancelled more than 3,000 rent supplement agreements, mostly with private landlords. The most recent numbers are not available. Former Minister of Municipal Affairs and Housing, Tony Clement, has said the province intends to continue to cancel these agreements, which allow low-income households to find affordable accommodation in the private rental market.

On the income side, tenant households in Ontario earn, on average, about half of what owner households earn. In most parts of the province, tenant household incomes have been stagnant or have declined in recent years. Tenants have less money to pay rent, yet rents have continued to increase. The latest rental market survey from Canada Mortgage and Housing Corp shows that rents have increased in every part of Ontario. In most places, rents are climbing faster than the rate of inflation.

The supply squeeze means there are fewer affordable rental units available for a growing number of low-income households. The affordability squeeze means that tenant households have fewer dollars to pay for growing rents. So it's no surprise that homelessness has reached crisis proportions throughout Ontario. Barrie, North Bay, Peterborough, Ottawa, Kitchener and Toronto all report homeless shelters at or near capacity. The biggest increases are in the number of families, including children, that are homeless. There has been an increase of 130% in the number of children in homeless shelters in Toronto in the last couple of years. Every year, about 1,000 children will crowd into homeless shelters in Ottawa.

Over the years, the Ontario government has offered a wide range of incentives to private developers to build affordable rental housing. Rent controls were gutted, which raised millions of dollars for private landlords. A number of changes were made to development regulations. A \$2,000 grant has been offered for every new private rental unit. In March 1999, the province announced a new rent supplement program to fund 10,000

new private sector affordable units. Money for this program came from the federal government. According to the latest figures, only 470 units have been funded to date. Last September, the province realized the private sector was not picking up the units, so it offered the program to co-ops and non-profit housing providers. However, when the federal dollars expire, the responsibility for the program will land on municipalities. They will either have to cancel the subsidies to low-income households or fund the units from the property tax base.

The former Minister of Municipal Affairs and Housing, Tony Clement, has acknowledged that the private sector has not been building new affordable rental housing, despite the provincial incentives. He even went to Dallas, Texas, to see how the private sector is working there. Dallas is not a model for Ontario, nor does the rental market in the United States offer much hope. The shortage of affordable housing is so severe that there are three low-income households for every available unit, according to US federal figures. The Texas Low-Income Housing Coalition reported just last year that "Texas's worst-case housing needs are at an all-time high." The US Department of Housing and Urban Development issued a major research report on January 19 this year which reported that there are "severe and worsening shortages of rental housing affordable to extremely low-income renters."

In Ottawa, the federal government is reported to be proposing a new cost-shared federal-provincial housing program, with funding up to \$170 million. This program may be announced before the provincial budget. Co-op members have serious concerns about the proposed design of this program, and we are communicating our concerns to federal legislators. However, we believe that Queen's Park should set aside a funding envelope of \$50 million annually to allow it to participate in a possible new shared-cost program.

**Mr Michael Shapcott:** I'll continue, if I may.

This alone will not be enough. Ontario should create a unilateral provincial social housing program, as it has in the past. Provincial programs have a record of success in creating good-quality, affordable housing.

The Social Housing Reform Act of last December allows municipalities to create new social housing, but they need provincial funding. We're proposing a two-part program based on one-time-only capital grants and rent supplements for qualified households. This program would be easier for municipalities to administer than previous provincial programs and would deliver the units Ontario so desperately needs.

Based on technical studies of the cost of building new housing, a provincial grant of up to \$40,000 per unit would be sufficient to create new affordable housing. In some high-cost areas the full amount would be required, but in other parts of the province a smaller grant would be required, as land and construction costs are lower.

Co-ops are willing to be partners with the province in developing a new provincial housing program. We have 30 years of experience in developing affordable housing.



We believe that one-third of any new provincial units should be targeted for new co-ops. Co-ops can make detailed recommendations on program design in another forum.

Our third recommendation to the committee today is that the province commit to a new provincial housing program to deliver 20,000 new units annually, and this would cost about \$800 million.

In order to make sure these new units are affordable to the lowest-income households and to expand the number of rent supplement agreements, we're also recommending that the province fund a total of 20,000 new rent supplement agreements annually. As many as three-quarters of these units could be allocated to the newly constructed housing that would be built under our first recommendation, and the remaining 5,000 units allocated to low-income households living in existing private or not-for-profit housing. The total cost of this package to the province would be about \$100 million annually.

The final number of units that would be created will depend on the actual rents in the various rent supplement agreements, but the overall spending envelope would allow for a monthly supplement of slightly more than \$400 per unit. This would be a little less than what is actually required in some of the bigger urban areas like Toronto, but would be more than is required in other parts of the province—for instance, in Dr Galt's Northumberland.

Our fourth major recommendation to this committee is that the province create, using provincial funds, a new rent supplement program to deliver 20,000 units annually at a cost of \$100 million.

We'd like to end with a few recommendations that we haven't been able to cost out, but we put them before the committee for your consideration. We believe there are other recommendations that also address other aspects of the private rental market as they affect low-income households.

First, we believe additional staff and additional offices need to be added to the Ontario Rental Housing Tribunal. Recently, there have been cuts to staff, hours and locations, which make it more difficult for tenants to gain access to this very important tribunal.

Second, we recommend to this committee that the shelter allowance portion of Ontario Works be brought to realistic levels. Shelter allowances for welfare recipients were cut by 21.6% in 1995. The majority of welfare recipients live in private sector housing, and I can say to this committee that I don't know of a single landlord who cut rents by 21.6% in 1995. With inflation, that cut now amounts to almost 30%. Rents for welfare recipients have continued to increase over the years, even as their shelter allowance has remained the same, and those rates were barely adequate in 1995. We believe the shelter portion of the welfare cheque should adequately reflect the true cost of housing, because of course the majority of welfare recipients do live in private rental housing. We think this is an urgent priority, and we urge this committee to accept that recommendation.

On behalf of Joyce Morris, I thank you for the opportunity to make these submissions on behalf of co-op housing members across Ontario. We look forward to your questions.

1550

**The Chair:** Thank you very much. We have time for a couple of questions each, I guess; a couple of minutes.

**Mr Christopherson:** Thank you both very much for your presentation. Again, affordable housing continues to be a main theme of everybody who comes in and talks about what is happening to literally millions of people in Mike Harris's Ontario who aren't benefiting from the tax cuts, which of course is the broadest number of people.

I have to say, on the off chance my mother happens to be watching, that I love co-ops. All my public life I've been very active in social housing and care passionately about the issue, but if I don't make that statement, I'm in deep trouble. You never know when she's watching.

I have first-hand experience, both as a local alderman and in my own family, to see the difference. In the building my mom is in, she was on the founding board. She served as president. She served as the representative on the regional council of your federation—very, very active. As I got to know the other women in the building, this has just made such a tremendous impact on their lives. I know that for virtually every one of them in that co-op, if they weren't there, given their circumstances, this committee would probably be ashamed of the quality of life those Ontarians would have to live in. There are those who really prefer the co-op as opposed to just any social housing because they like the idea that it is their home. They set the rules, they do the work, they take the credit and they take the responsibility. I can remember the outcry in the neighbourhood. Remember NIMBY? This building has turned out to be one of the biggest assets in that immediate neighbourhood. I can never say enough, and I'm glad you're here making the case.

I want to point out a couple of things. I want to give credit to the Liberals, if you can believe I actually said that, Monte. I know. Somebody help Monte back into his chair. But when you passed the Rental Housing Protection Act, I was an alderman on Hamilton city council, and I can remember dealing with that legislation. Everybody was really nervous about what this meant to people's freedom in terms of the people who owned the building, and we all walked very carefully. In most cases we still allowed it because there were other overriding reasons, but there were times when it was the right decision to say, "No, this particular building is not going to be lost to the community. There's housing stock here. There's no good reason for this, and we're going to maintain it." You know, the hue and cry wasn't as big as you would think it would be from those who weren't allowed to do whatever they damned well pleased with their property, and that was the way they saw it.

To lose that act—and it went quietly. Because there are so many big parts of the revolution, there are so many relatively smaller pieces, but so significant, that have been lost, and this is one of them.

I'll jump to my question. I had a lot more to say, but I know the Chair's going to cut me off if I try.

You mentioned some numbers. I watched some of the government members. You could see the reaction on their faces when they heard \$800 million. These are big dollar figures. Would you just comment on your opinion of the implications for our society on the economic side? The heart side of things, even though it's St Valentine's Day, doesn't seem to necessarily get through to the government members, but at least let's try and reach their pocketbook. Would you just comment on what we face economically in Ontario if we don't make a substantive investment in affordable housing for those Ontarians who need it?

**Ms Morris:** I guess a lot of it still goes to the heart, but economically, if you don't have a place to live—studies have shown that if you're concerned about whether you are going to have a roof over your head next week, you're not concentrating on your job, you're not going to get ahead, you're not going to have that income.

You're looking at a rise in health care costs. You're looking at a rise in childcare costs in terms of fostering because parents can't cope. If I'm living on the street, I'm going to foster my children because I don't have a choice. Think about what it would be like if somebody told you you didn't have a place to go home to; they asked for your address and you couldn't give them one. That's the bottom line. It affects everything in your whole life. It's your place, and if you don't have that place, nothing else really matters. Everything ties into this. This is the glue that holds everything together. This is the keystone, affordable housing, knowing that you have your own front door and your own roof and that your kids have a safe place to live and a safe place to play.

**Mr Arnott:** Thank you, Ms Morris and Mr Shapcott, for your presentation. Thank you also for again extending the invitation for me to come and see the New Generation Co-op in Kitchener.

**Ms Morris:** I hope you will.

**Mr Arnott:** I hope my schedule will permit me to do that before next year's pre-budget hearings.

This process, as you probably know, is being broadcast live on the legislative channel, so people across the province are able to hear the presentations of people like you and our responses. I was just thinking that probably there are a lot of people who don't understand the fundamental concepts of how co-op housing works, how it's paid for and so forth. I was wondering if you would want to, in simple terms, just give us a primer of how co-op housing works in Ontario today for the benefit of the people at home who maybe don't understand the fundamental concept.

**Ms Morris:** Thank you for the opportunity. Co-op 101 in brief. Michael, why don't you?

**Mr Shapcott:** Housing co-ops are owned and managed by the people who live in the housing co-operatives. Therefore, our owners are in fact the people

who live in them. We gather together and elect a board of directors, and they manage the affairs of the co-op.

However, to construct and develop housing in Ontario or anywhere is an expensive proposition. That's why the private sector's not doing it. It's one of the reasons why co-ops have been unable, without government support, to build. For instance, I just got today from Statistics Canada the latest apartment building construction price index for last year. They show that nationally, Toronto and Ottawa lead the nation in terms of an increase in the cost of apartment building construction. For co-op members, when they come together to create their co-op, they need some support in order to help with land costs and construction costs, and that support is given in the form of capital grants to co-ops, which in some co-op programs we've negotiated in the past with federal and provincial governments are either fully or partly repaid. In others, they're grants that are simply given out.

I want to say, going back to Mr Christopherson's question, that there is a benefit in terms of this public money invested in the housing co-operatives that goes beyond just the creation of much-needed affordable housing for the people who live in it. There are benefits in terms of jobs. We did a study a few years ago which found that for every 1,000 units of new co-op or non-profit housing that's created, about 2,000 or so person-years of employment are generated, and about \$45 million in tax revenue back to municipal, provincial and federal governments. There's a substantial benefit in economic terms as well as the social benefit of housing.

Housing co-ops are owned and managed by their members. They remain a public asset, unlike, for instance, condominiums, which are bought and sold and where the price can increase. With co-ops, because they remain within the ownership of the co-operative corporation, the price never increases.

**The Chair:** Thank you very much. Mr Kwinter, I have the same problem with my chair. I think there's a lean in the floor at this end of the room, so don't feel uncomfortable because you've got a similar chair.

**Mr Kwinter:** Thank you.

I was interested in your comment about the summit that took place in September of the federal, provincial and territorial housing ministers. The proposal you made, is that just for co-ops or is it for all affordable housing?

**Mr Shapcott:** The proposal was strictly for housing co-operatives. We're of course the Co-operative Housing Federation of Canada. Our members are housing co-operatives. We'd be delighted if other non-profit housing providers would join with us, but at this point it's strictly a proposal we placed in front of the federal government. There is a committee, composed of officials from Canada Mortgage and Housing Corp, four provinces, not including Ontario, unfortunately, and the Co-operative Housing Federation of Canada that is negotiating at the national level the details of that agency. Ontario was at the meeting in the form of Minister Clement, but Ontario has not participated in that to date.



**Mr Kwinter:** That's what I was leading up to. When you say they chose not to take up this plan, have they actually turned it down or have they just not responded?

**Mr Shapcott:** Maybe I'll turn this back over to Joyce, because Joyce has attended meetings with two of the previous housing ministers and the issue has been raised. I don't know if we ever got a flat "no," but perhaps you could explain.

**Ms Morris:** We didn't ever get a "no." What we got was, "Send us a proposal. We'd be happy to read it."

**Mr Kwinter:** Has there been a proposal?

**Mr Shapcott:** Yes.

**Ms Morris:** To both previous ministers, yes. The proposal has been sent. We've sent offers of, "Let me sit down with you face to face. I'll answer your questions. I'll talk about the proposal." This is like a whole new opportunity, because part of the problem of course is that all the levels of government are saying, "We want to get out of administration of social housing." We're saying, "Pick us, coach. We'll do it." We've got the experience. We've got the years. We don't have the funding. We need help with that, but we've got the experience and we'd like the opportunity. We're willing to take on the responsibility of managing this, and if other forms of social housing want to join in, I don't see a problem with that at all. I think we'd be happy to embrace all facets of the stock.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

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#### NORTH YORK CHAMBER OF COMMERCE

**The Chair:** Our next presentation is from representatives from the North York Chamber of Commerce. If you could please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon. Go ahead.

**Mr Elie Betito:** Let me first introduce myself and my confrere. My name is Elie Betito. I'm the president of the North York Chamber of Commerce. I'm also a senior director of a company called Apotex Pharmaceuticals, based in Ontario, with about 3,500 employees. The person sitting beside me is a director of the North York Chamber of Commerce and also executive director of the Black Creek Business Area Association. I'd like to start my presentation by first saying thank you for allowing us the opportunity to present.

The North York Chamber of Commerce represents a broad range of business, primarily located in north-central Toronto. We've got close to 1,000 members, but 60% of that membership is small and medium businesses. The North York Chamber of Commerce and its business advocacy council has been successful in isolating issues affecting business in the Toronto area and identifying resolutions which meet the needs of a diverse membership and still meet government mandates. It is with great

pleasure that we participate in this pre-budget consultation process.

The North York Chamber of Commerce would like to address four specific issues of concern to our membership. These concerns include maintaining a competitive climate, the creation of a strong Ontario transportation infrastructure, an uncertain Hydro situation and fiscal responsibility.

On the first subject, in terms of maintaining a competitive climate, following world and North American events over the last two months, the membership of the North York Chamber of Commerce is concerned about the impact that the looming American economic slowdown will have on Ontario businesses. Over 90% of Ontario exports are to the US market, of which approximately 40% are auto-industry-related sales. Traditionally, these types of economic slowdowns have a relevant spillover effect on the Ontario economy. Traditionally, as the American economy moves into periods of stagnation or decline, cities and states to the south of us become more aggressive in pursuing our local businesses. This action is used to bolster their sagging economy. Combine these incentives used to entice businesses to relocate and compound them with our current property and corporate tax inequities, and it becomes quite difficult to retain businesses in Ontario and to attract new ones to open facilities locally.

Under current provincial Ministry of Finance and Ministry of Municipal Affairs and Housing legislation, our cities are unable to compete in business retention and attraction. One successful business development program used by American cities and states which is tax-revenue-neutral is tax incremental financing, TIFs. TIFs are a proven effective method of supporting business investment and promoting employment generation which has a minimal negative effect on local and state/provincial budgets. Increased tax revenue which is generated in a local area by local improvements is partially recirculated back into the specific community to spur further economic growth. The remaining portion is used by the city as general revenue.

The North York Chamber of Commerce urges the Ontario government to help businesses brace themselves for a potential spillover of the American slowdown and to help minimize the adverse impact on the Ontario economy and the workers who make it possible.

In terms of the question of property taxes and claw-backs, the North York Chamber of Commerce would like to see the government take the initiative in levelling the playing field for businesses in the city of Toronto by exercising leadership, first in mandating municipalities to move their tax rate structure to comply with the provincial range as a fairness within a set period of time, and in creating a maximum tax rate on business property throughout Ontario, not just among the 416 and 905 areas.

Most of our members are both business owners and residents in Toronto. We understand the need to protect residential realty taxpayers from property tax shock, but

we also understand the reality that if too many businesses leave, more tax burden will be placed on the homeowner, and that adjustment would cause a huge problem. Businesses are moving out, not just from Toronto to the 905 area, but out of the province.

The North York Chamber of Commerce is seeking provincial intervention in remedying the whole gap between residential and non-residential tax rates within Toronto. Businesses which are entitled to reductions in their taxes under current value assessment need immediate relief. They have been paying more than their fair share of tax for some time now and they deserve to realize the full benefits of those reductions. Tax relief after they leave Ontario is no relief at all.

The North York chamber also recognizes that other businesses will have their property taxes rise dramatically under current assessment. The chamber believes that measures can be taken to soften the blow facing massive property taxes without relying on the clawbacks to achieve this.

On transportation—I didn't think I was actually going to make it today; it took me an hour and a half to get here—the gridlock and congestion we have in this city is a huge problem from a business perspective. The North York Chamber of Commerce applauds the provincial government on its recent commitment to create healthy community policies which address everything from land use planning to adequate provincial transportation infrastructure. It is not enough to create a job. The proper consolidation must extend toward moving the goods, bringing the labour force the facility and providing proper living environments for the people who produce the goods.

Our concerns continue to focus on the preservation of employment property for employment use and recognizing the importance of local employment opportunities. The decentralization of employment areas has been a vital ingredient to the success of Canadian cities over our American neighbours. Policies must be created to protect this occurrence and budgetary allowances must be provided to the Ministries of Economic Development and Trade and Tourism to become a full partner in the joint municipal program underway aimed at rebuilding our local communities.

Getting people to and from their place of business in a timely and efficient manner is an integral ingredient to a successful, healthy economy. The North York Chamber of Commerce is pleased to be managing the Transportation Management Association in the northwest section of the city of Toronto. It is a pilot project. The association's mandate is to seek transportation solutions currently preventing businesses from operating at full capacity. This is a public and private partnership involving the North York Chamber of Commerce, York University, Bombardier, Knoll, the city of Toronto and the city of Vaughan, as well as other interested parties.

We encourage the province of Ontario to join our efforts in creating solutions to traffic gridlock and alternative forms of employee transportation. The benefits of

this successful pilot project are more efficient local transportation infrastructure and a healthier environment and employee base. The applications this association creates can be duplicated in other regions across the province where needed. We are doing a pilot project for all of the province.

Consolidated provincial transportation infrastructure plan: as part of the successful healthy community strategy, a fully integrated provincial transportation infrastructure must be developed. The North York Chamber of Commerce is seeking you to take back jurisdiction over transportation from the municipalities. A strong inter-municipal transportation infrastructure is required to ensure a strong GTA regional economy. Products and goods are manufactured by companies with plants across the GTA and southern Ontario, yet there is no coordinated transportation system in place to support people or product moving between the locations.

Public service and rail transportation is limited to moving people from the peripheries to the core, but not between our employment modules. This is a prime ingredient for development sprawl and the promotion of private car use. Only the provincial government, working with both federal and municipal partners, can efficiently and effectively create a regional transportation infrastructure which includes land, water, rail and air transportation covering southern and central Ontario.

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The North York Chamber of Commerce also encourages a provincial and federal transportation infrastructure partnership to gain access to the federal monies set aside for transportation and for the environment under the Kyoto accord.

The federal government currently has a budget surplus. If the looming American recession spills over into Canada, this will be the time to focus our efforts on rebuilding our provincial transportation infrastructure to take us into the 21st century. The job creation from such an undertaking should more than compensate for any shortfall from the auto industry. The result would be strong Ontario and Canadian economies, resulting in a dominant place in the global economy, once the American slowdown has passed.

Another important area, from our perspective, is the privatization of Hydro. The privatization of Ontario Hydro and the creation of private distribution corporations is a major concern of businesses across Ontario. Let us not fall into the same situation as California. corporations and smaller businesses are suffering because of an uncertainty regarding future power supply and rates. Stable energy sources and costs are essential for a strong and prosperous economy. The chamber urges you to revisit the subject of energy creation and distribution across this province.

On fiscal responsibility, the North York chamber would like to applaud your success in balancing the provincial budget. We anticipate the efforts you will make now toward reducing the provincial debt. Minimizing the debt will help us place the province on a



strategically global platform and progressing through the 21st century.

The members of the North York chamber are counting on your leadership and innovation to carry us through the current fluctuating economic environment. Our commitment is to work with you in ways possible to see our great province weather these economic times and come ahead. Our membership welcomes the opportunity to contribute expertise and advice on provincially related business issues. This is a time of opportunity, a chance to raise the province to a position of economic stability required to maintain our premium standard of living. We are here to participate and we thank you for listening to our presentation.

**The Chair:** Thank you very much. We have approximately five minutes per caucus. I'll start with the government side.

**Mrs Molinari:** I'll start, and I'm sure Mr O'Toole has some comments as well.

Thank you very much for your presentation. You've indicated a number of challenges that we have and that we're going to be facing. Transportation seems to be the continuous one. I live in the city of Vaughan, so I drive here on a daily basis. It's only about 22 kilometres but it does take me an hour to get here all the time. So I experience it on a daily basis. Certainly, my constituents as well have called my office quite often from their cellphone when they're stuck in traffic and indicated all of their frustration.

York region, as a matter of fact, has just recently set up a York region transit system, which hopefully will assist in some of the gridlock within York region. The Greater Toronto Services Board also has some responsibility for this. Are you familiar with their work so far, and can you give some suggestions and some input on what they should be doing and what they should be looking at to resolve some of the issues you've indicated?

**Mr Lorne Berg:** Sure. The Greater Toronto Services Board has been a good start. They've been around for, I believe, three years now. They are looking at different issues, transportation being one of them, other types of services also included in this, consolidating all the different types.

The project that is currently being worked on, the Transportation Management Association, that was mentioned in the presentation, is one that Vaughan is actively participating in. These are linking up different forms of transit, different forms of transportation systems together so that they all work together and people don't have to come down or into locations separately. They're looking at carpooling, buses types of things, private enterprises of moving people between locations.

One of the projects that hasn't been looked at extensively through the GTSB is the smart pass, but that's one of the projects that is being promoted at this point. That's linking all the transportation systems—Vaughan Transit, Brampton Transit, Toronto Transit Commission, Mississauga Transit, all those together—so that it's a one-fare-type system that covers the whole

region. This is a great starting point because they're in place now. It's just a matter of finding a way of consolidating the management and financial running of that system.

**Mr O'Toole:** Just very quickly, on the Hydro or power supply question, I just want to put it on the record clearly that the issue really isn't a privatization question; it's a deregulation question. I'm not trying to be smart. Also, clearly, it's absolutely the opposite equation than California. We have a supply surplus actually and we're at excess capacity. The Macdonald commission was started extensively to look at moving the debt around.

Without it sounding so much like a lecture, because the public is watching, about 60% to 70% of California's power is natural gas. In their first deregulation they froze the price, but those real costs were never passed on to the consumers and were carried as debt of the generators. The generators themselves are just loaded with debt, so the state has stepped in and is now buying the natural gas. The price of natural gas went through the roof. Our baseload is about 70% nuclear, which is, at the kilowatt rate, the lowest, cheapest and most efficient, apparently, on the planet. So I think it's important to get that on the record.

Our issue, on the retail side, is making sure that Hydro One—that's the old Ontario Hydro retail—doesn't set up a monopoly. I'd like your reaction because you're absolutely right: the actual sustainability and predictability of price as a cost of doing business is critical to you. I'm interested that you commented on it, but I hope you see that the government's attempt was to create competition, hold prices down, and there are some things on the generation side as well.

**Mr Betito:** We agree and we accept your comments. From a large business—look at us; we have 14 facilities across this city—it's important to have stability in pricing because, as you know, you have to plan for your next year's costs and so on. We're just raising the flag that we're concerned that if that issue—we know it's not the same as in California but we need to have it looked at and looked at carefully by the government.

**Mr Phillips:** I appreciate your presentation and I appreciate the work you do on behalf of Ontarians and the people of North York.

I'll start with the property tax. The Canadian Federation of Independent Business was in this morning to talk to us about this. They point out that for the businesses in North York, you're paying more property tax to the province, Mike Harris, that your property tax for education is higher than your property tax for municipalities. In fact, they point out here that if you're an industrial building worth \$200,000 you'll be paying to Harris, in the provincial education property tax, \$10,300 and to Mel and the group \$9,546. I don't think a lot of businesses know that or have recognized that the bill they pay in property taxes, more than half of it goes to education and the rate is all set by the province. Mike Harris sets that rate by what's called regulation.

That business in Toronto pays \$10,300. If you crossed the border into Mississauga, you'd be paying \$6,200—identical businesses—and if you go up to Parry Sound, an identical business; you'd be paying \$1,900. This is all CFIB documents.

As I say, I'm repeating myself slightly here, but for the chamber, I think sometimes your members may not all appreciate that when they get a property tax bill, over half of it goes to education and all of it is set by Mike Harris.

My question will be this: Have you met with the government officials and said, "Listen, on property taxes, over half goes to education. You're setting it all. You told us that there would be equity across the province, but I see that I'm paying \$10,300, an identical business across the road in Mississauga paying \$6,000 and up in Parry Sound paying \$2,000"? Have you raised that issue with the government in your meetings with them, and have they given you any indication what their plans are to correct that?

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**Mr Berg:** Yes. Actually, for the last 18 months we've been participating on the city's business reference group on property tax reform. We were part of the group that put in the recommendations to the province for a set of tools on how to remedy the tax situation. Our members are aware of this split in the bill and which part goes to who. That is something that we've been quite clear on whether it be through our newsletter, reporting back to our association or through meetings. We've met with Mr Young twice already on this situation and Mr Eves once. We've met with the city staff on this issue. Yes, we're well aware of the figures. We do also realize that on the municipal end the tax rate is quite high in relationship to the places that you mentioned. So both ends have to be adjusted to bring Toronto and North York on to a level playing field with the rest of the province.

**Mr Phillips:** On the Hydro issue, I wish I could be as confident as Mr O'Toole is about how well this is going to go. I would just say the fact that the launch of the deregulation has been delayed twice always causes one some unease. The generating part of Ontario Hydro has frozen rates for five years, but the only way they were able to do that was to do some things with the books that the Provincial Auditor said did not follow normal accounting practices. They used something called their special privileges to essentially pre-write off a bunch of expenses. So there is a perception there is a rate increase buildup there just waiting for the deregulation.

I just got my own Hydro bill recently and the distribution part of it looks like it's gone up about 15% to 18%, just on the distribution part. Because distribution is a relatively small part of your bill, it doesn't look like much in total. We don't face the same situation as California did, which is shortage of production, but my understanding is that certainly all the new generation can be sold into the US, if they want to. So I'm not sure of all of the protections.

I think your suggestion here is, and I believe that we in the Liberal caucus have suggested, that the committee that's looked at this in the past may want to re-look at it, just to update themselves, allow a public airing of it, as I say, because there an enormous unease. The government got out at the end of the diving board, looked down, didn't like what it saw, got back off the edge of the diving board and went back out again, looked and backed off. I think it causes all of us some unease, but particularly the business community that is used to some certainty. So we in the Liberal caucus would follow up your suggestion. As I say, I think there's a way to do that in some public forum so that there can either be the comfort for you or, if it's a problem, we can become aware of it.

**Mr Betito:** I'd just add a comment to Mr Phillips's situation. We, as a company, were approached by a state to move part of our facilities and they were offering no hydro rates for five years and all kinds of other issues. So we are in a very competitive situation, as we've said in our brief. It is very clearly a situation that businesses need to know where their costs are going in the next few years. We want to re-emphasize that. That's why it's a very important element. We appreciate where you're coming from.

**Mr Christopherson:** I'll just pick up on the last point that was raised, because I was going to mention that also in terms of the bonusing that American cities are allowed to do under their laws. I know the government has indicated they are planning to do a complete rewrite of the Municipal Act, which is going to have incredibly significant implications, depending on what they do.

Having served on a local council, I've dealt with the frustration of not being able to do anything, and there are times when you want to be able to provide some incentive. But when you stand back and take a deep breath, you realize that at the end of the day it's probably best that we don't have bonusing allowed. All it really does is pit your community against my community of Hamilton, and at the end of the day some Ontarians are still going to be the losers. That's not a game we want to get into.

I just wanted to touch base and see if that's still where you are, or is your thinking changing around that?

**Mr Berg:** Our membership is not endorsing bonusing. What we look at are factors that are enticing our businesses out of Toronto, out of Ontario and out of Canada, and what is needed to keep them here. We don't believe that bonusing is the way to go. Historically, what happens in the States is that a company will be enticed to a certain city for tax relief for 20 years. Once that 20 years is over, they hop to the next city that's offering a 20-year term. That's not the solution.

One of the systems that was mentioned in this presentation was tax incremental financing. That does not go directly to the business; it goes to the area the businesses are in. It's based on an area being defined as an employment area, a total assessment being taken of the area and, knowing the revenue-generating capacity of



that area, infrastructure money being invested into it by municipalities, the provinces and the federal government—or, in the American situation, by states and the United States government—and then benchmarking from there the increases in assessed value over a specific period of time.

What happens traditionally is that the area's assessed value will rise. A percentage of the increased revenue will be recirculated into that area to help pay for further progress in the area, and the rest will be reabsorbed into the municipality it comes from—whatever revenue goes to the province or state that it's in. So basically everybody wins out of that situation by a small investment in the area. What happens is that the areas then start attracting more businesses, or the ones that are on the fringe of either expanding or leaving usually end up staying in those areas and expanding. So it solidifies these areas as employment areas, which in turn creates more income for the different levels of government. It's not paying a company to stay in; it's actually developing the environment where the businesses want to stay.

The other thing is the tax situation, which is driving businesses out in that it goes for the education and municipal portion. It's just impossible at this point for businesses to know what's happening. Three businesses I deal with are each experiencing \$1 million in clawbacks per year in their taxes. That \$1 million is being used to subsidize someone else who has a cap on their taxes. So they are overpaying quite a significant amount to keep someone else in business. Those are the types of issues that help keep businesses where they are in Ontario, in Toronto and in North York.

**Mr Christopherson:** I would underscore tax reduction. We have the same situation in downtown Hamilton. The one thing we were going to benefit from the reassessment was that finally the property tax rates would be where they should be. They are strangling right now. If you have to rent a property in downtown Hamilton, you can't rent it for the amount of money it costs you just to pay your taxes. It's the same thing in Westdale. We have the same situation as you. There are other areas that are capped in terms of their increases, and nobody wants to see them damaged. But the government is the one that started this whole process, and to continue to leave areas like downtown Hamilton, and I use the word advisedly, in a depressed sort of mode is wrong, and I know it applies in other communities.

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One doesn't have to be a business owner or a member of the chamber to appreciate that the property taxes in downtown areas in a lot of our older cities are so far out of whack that businesses are leaving—you'd have to be blind not to see them leaving—and we're not getting new investment coming in because other communities nearby, along the QEW, have the ability to compete because they are at the other end of the deal. They've got newer areas, new development, they are closer to the centre of the province, meaning Toronto, and it's deadly for us.

I want to underscore the support we in the NDP give to that statement and the comment that something has to be done about accelerating that. If you just wait till the end—I think they accelerated it and beefed it up from eight years to five years in the last budget announcement. But even at the end of five years, the amount of devastation I can see happening in downtown Hamilton breaks your heart, because people want to invest especially with the new city.

**The Chair:** Gentlemen, on behalf of the committee, thank you very much for your presentation this afternoon.

#### GREATER TORONTO HOTEL ASSOCIATION

**The Chair:** Our next presenter is the representative from the Greater Toronto Hotel Association. Could you please state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation.

**Mr Rod Seiling:** Thank you for the opportunity to appear before you today. My name is Rod Seiling. I'm president of the Greater Toronto Hotel Association. My intent is not to read my presentation, which I have distributed to you today, but rather just to table it and briefly go over some of the more important areas for you.

Just a quick overview: industry performance over the past number of years is much better—remarkably better, in fact. It's hard to believe that just six short years ago the industry here in Toronto and across Ontario was virtually bankrupt. There are a number of reasons for that, one of the major reasons being the tax policies of the government. Cuts in corporate income tax and personal income tax have been very important. When you are an industry whose customers require disposable personal income, putting more money back in your customers' hands is always a good move. So that's a very important factor in this.

Corrections to the Ontario property tax system are starting to bear some fruit, as well as a recommitment to tourism marketing via the Ontario tourism marketing partnership. While it's going to take years to reverse the damage done by cuts in the tourism marketing budget over previous years, it can be done. The federal government moved Canada from 13th place to seventh place in international arrivals, so we know that formula can and will work.

However, we do have some concerns. At the height of the business cycle, return on investment is still insufficient here for new investment. New investment is going to other areas where returns are better. However, as I said, the industry does appreciate the work of the government. We view it as work in progress.

You've got to continue to cut your taxes and, in that vein, we are very appreciative of the statement made by the Minister of Finance, Mr Flaherty, yesterday of the government's intention to continue on that announced stance. We applaud the government for its leadership in this area and urge it to continue to prod the federal gov-

ernment to do the same. In the end, Ontario and Canada must be seen as an attractive place for investment and job creation. We need to be competitive on a wide range of fronts: on taxes and on continued investment in infrastructure, especially health, education and transportation.

Now to the specific areas. Profit-sensitive versus profit-insensitive taxes is an important principle here. We want to focus and urge the government that it keep its attention on profit-sensitive taxes. Property taxes, capital taxes, minimum corporate taxes and payroll taxes are all insensitive to profit and act as a disincentive to attracting investment. If you look at chart number 1, you can see that the recent actions of the government are starting to move us in the right direction as it relates to profit-insensitive taxes.

Property tax: Canada is the undistinguished leader in property taxes. As chart number 2 shows, we are the leader as it relates to property taxes versus the share of GDP. Unfortunately, Ontario leads the way in Canada, and in Toronto we're the king. If you look at charts 3 and 4, on page 6 of my presentation, you will see why no new hotels have been built in Toronto in over 11 years, despite an accepted real need. You will see that we're basically the leader. If you look at chart number 4, you are looking at almost 13% of revenues going to pay property taxes. You can see why investors have been reluctant to put any new investment into Toronto. However, we want to commend the government for the steps taken to date. The system has been broken, as I said, for over 30 years, and the fix is not easy and will take time.

We have three areas of concern. The first is an assessment issue. OPAC has shown little desire or need to recognize the business value in hotel assessments, despite the fact that there is business value in every assessment. They have allowed a 3% deduction for management fee, but it's woefully not relative to the actual business value in every assessment. In fact, what's happened is that property tax for hotels has become an income tax. As our revenues have gone up as rates have gone up, our property tax has gone up and our evaluation has gone up almost in lockstep. As I said, we don't see any real break in that regard. In fact, it seems to be worsening. So we urge the government to take a look at recognizing the business value and give an order—the minister has the ability to change the methodology for valuing hotels.

The second area is the ratio of residential property taxes versus business taxes. Here in Toronto, businesses pay eight times that of homeowners. Compared to the surrounding area, which is about 50% less, you can see the competitive situation that develops.

The impact on competitiveness is not just here within the province of Ontario. It also stretches across the country and to other countries across the globe.

For example, the per room tax on a hotel in Mississauga averages about \$1,500. If you move a couple of hundred yards down Airport Road, the only difference being you're now in the city of Toronto, the same per

room tax on a very similar hotel is over \$5,000. So you can see how that impacts on competitiveness within the marketplace and also the ability to attract investment here into Toronto. It's just not there.

However, we do appreciate the attempt by the government to inject some fairness and equity into this system. The recent passage of Bill 140 hopefully starts to address the inequity between business and residential tax rates. Many municipal politicians have recognized their inability to do it on their own and have said, "We need the province to do it. We might yell a little bit, but they ultimately have to solve this problem for us." So we congratulate former Minister Eves for his fortitude in introducing Bill 140 and we urge the new minister, Mr Flaherty, to monitor the situation very carefully and, if further action is required, to move on it.

The other issue creating an imbalance is the education tax. For businesses, the education tax portion of their tax bill represents over 50% of it. Again, we congratulate Mr Eves for accelerating the payment schedule for this year. As I think you well know, the government instituted an eight-year program to pay down the education tax so that businesses in areas where they are over the provincial average will get down to that provincial average. We urge Minister Flaherty to actually move that ahead, to accelerate the program even more, and to take one further step to ensure that the municipality can move into that field, because we've seen that in Toronto already—a request by the city for you, the government, to move on the education tax to allow them to move into the field, which literally defeats the purpose.

High property taxes inflict a long-term negative effect which ultimately threatens the economic viability of the industry here. Hotel investors expect a competitive return on investment or they will, and do, invest in other areas where they can get it. Operators know this and they do what they have to do to try to produce that return. Sometimes they are forced to cut expenses, which can impact on service. For an industry that lives on service, this is especially damaging and ultimately suicidal. You can end up turning a four-star property into a three-star, and a three-star into a two-star and so on. Toronto does not have a five-star hotel, you may be surprised to learn, and there is a correlation between that and property taxes.

Capital taxes: Canada is the only major country that we're aware of that levies a capital tax. Alberta has already recognized the damaging effects that capital taxes can play on the economy as it relates to jobs and investment and has announced a plan to eliminate it. Ontario has sent similar signals inasmuch as it has set a schedule for raising the threshold for small business over a number of years from \$2 million to \$4 million. Capital tax can be a real negative to attracting investment, as I said. Other countries, at least major countries, do not have one. It represents an extra line of tax, a tax that must be explained to potential investors. It's a tax that is insensitive to profit. It must be paid even if you're not profitable. Inasmuch as the tax calculation for capital tax includes loans, you might aptly say it's a tax on debt.



Accommodation industry investors require a large accumulation of assets to start up a business. As well, there is a long road to profitability. Therefore, capital tax acts as a major negative to attracting investors, especially when they can go elsewhere where there is no capital tax to pay. We urge the government to reduce capital tax rates as a first step in an identified plan to eventually eliminate the capital tax, period.

1640

Destination marketing: Ontario has recognized the importance of tourism marketing as an investment, as has the federal government. Such investments provide new jobs and incremental tax revenues, and there is ample evidence to document this and prove it conclusively. Ontario has increased funding to the Ontario Tourism Marketing Partnership to \$70 million annually. Ontario can now leverage the federal government's money in the Canadian Tourism Commission and its \$75-million fund.

The problem, however, is inadequate funding at the local level, as both provincial and federal programs are on a matching-fund basis. The problem impacts on Ontario as it is not earning the returns it can or should. I want to clarify: we are still earning a return; it's just that it's not to the extent that it can or should be. Quebec and British Columbia are moving into this void. Toronto, which represents almost 40% of tourism in this province, is underperforming. We're losing market share in the growth market as, you should know, is the province. Its convention and visitor bureau, Tourism Toronto, is seriously underfunded and ranks 43rd in North America, and that figure continues to drop.

In 1998 and 1999 the total number of visitors to Toronto was up about 5%, but we still lost market share. Based on traditional market shares, that loss is approximately 1.5 million visitors: 369,000 domestic, 784,000 from the US, and 381,000 from overseas. That represents a loss to the economy here in the Toronto area of almost \$670 million. To the accommodation industry alone it is \$337 million.

As well, it's interesting to note, the province's share was an \$85-million tax loss. But, as I said earlier, this is not just a Toronto problem. While the final numbers are not in for 2000, we do know that Ontario lost 1.2% in market share for the year while BC gained 1.6% and Quebec almost 4%. It is as well interesting to note that the BC gain of 1.6% took place while Vancouver was basically shut down for the summer with the hotel strike. As I said, the federal government has proven that we can reverse the downtrends but it must be done before it's too late.

Canada moved from 13th to seventh in international rivals. Ontario has mirrored the federal program. The problem now is we need to find funding for local municipalities, local CVBs, to buy into programs so we can lever both the Ontario Tourism and Marketing Partnership funds and the Canadian Tourism Commission funds. In Toronto, it should be interesting to note, hotels spend over \$150 million annually selling their respective hotels, so it's not a case of the hotel industry

not paying its fair share; that money is spent on selling the property. We need the new funding to market the destination. The municipalities cannot be expected to fund this. Toronto already is giving \$4 million; it used to give \$8 million. They have had to cut it back, as I am sure you're all aware, with current funding problems. It is unlikely to give more and it will likely give less.

We urge the Minister of Finance to work with the industry to identifying a new funding mechanism for destination marketing at the local level. With key principles in place like dedication of all monies raised, a return to source and limits on the amount each funder contributes, we are sure that the industry can find a solution working together with the government.

Access to capital: Access to capital for the accommodation industry basically is non-existent. The only funding that exists exists on a personal basis. That means it must be fully secured. The Ontario bank capital tax earn-back provision is not working. The community small business investment funds focus on university research and labour-sponsored funds basically focus on high-tech. We do not have a recommendation, as greater minds than ours have worked with this problem, but we do want to draw this problem to the attention of the government. Without funding it's very difficult to grow an industry.

Cascading taxes: Cascading taxes, in other words, a tax on tax, are patently unfair. There are two examples I want to draw to your attention: (1) in Ontario, the 10% gallonage tax; and (2) federally, the GST on gasoline. We urge the minister to drop the gasoline tax. The \$35 million it raises is insignificant to the government but means a lot to the industry where margins are in the 2% to 3% range. It really means that wholesale pricing to the hospitality industry is retail plus 10%. It also adds the perception that Ontario is a high-tax jurisdiction, and this can be very problematic because for many of the people who come here, whether it is on business for a convention or on a holiday, we leave the perception with them that this is a high-tax jurisdiction, and yet we're going to go back later and try to convince them to invest in this province.

Similarly, the GST on gas works the same way: 70% of our business is still rubber-tire-related, so with the GST increasing the cost of gasoline, it's not just a problem for ordinary business but it's a problem for the tourism business. We urge the minister to prod his federal counterpart to do something with the GST on gasoline.

Debt repayment: today's debts, as you all know, are the future taxes for our children. The government needs to remain vigilant regarding spending, and we congratulate it for eliminating the deficit. We suggest they need to identify a plan to eliminate the debt. This plan may change with the business cycle. We also suggest it must continue to invest in infrastructure, as I said: health, education and transportation.

Quality of life is a major factor in the investment decision-making process. Ontario must continue to be seen as a place where people want to live and work. We

urge the government to focus on this and to identify a debt repayment plan along with a continued commitment to invest in infrastructure.

Payroll taxes are among the major negatives to hiring people. The government has shown leadership in reducing the employment health tax, workers' compensation fees and holding the line on the minimum wage. Ontario needs to continue to advocate with the federal government to reduce the EI premiums—they're an outright grab—on behalf of Ontario businesses. We also urge the government to reduce employer health tax premiums here to \$600,000 to make it consistent with the paperwork threshold.

GST-PST harmonization: I referenced earlier the need to work to be perceived as a province that is not a high-tax jurisdiction. A single line of tax instead of two will help. In that regard, we urge the minister to look at the possibility of harmonizing the GST and PST, as long as it does not result in an increase in taxes to our industry.

In summary, the GTHA recommends that the government focus on controlling spending and reducing the tax burdens on corporations and individuals and that the focus return to profit-sensitive taxes.

Second, we urge the Ontario government to ensure that the methodology for assessing hotels for property tax purposes deducts the business enterprise value.

Third, we urge the Ontario government to continue to ensure municipal property tax rates for business are fair relative to residents.

Fourth, we urge the Ontario government to accelerate the paydown of the business education tax to those areas still above the provincial average.

Fifth, we recommend the Ontario government eliminate the capital tax or reduce the tax rates as the first step in a plan toward elimination.

Sixth, we recommend the Ontario government work with the industry to identify and implement a means of revenue generation for destination marketing at the local level.

Seventh, we recommend the Ontario government eliminate the cascading beverage alcohol tax and that it advocate to the federal government to change its cascading tax application of the GST on gasoline.

Eighth, we recommend that the Ontario government investigate ways and means whereby access to capital for business investment becomes available.

Ninth, we recommend the Ontario government outline a debt repayment program that includes a recognition of the need for investing in infrastructure.

Tenth, that the Ontario government continue to reduce payroll taxes in recognition of their negative impacts on job creation and that it raise the threshold for EHT to \$600,000.

Finally, we recommend that the Ontario government examine the feasibility of merging the PST and GST, without an increase in taxes.

Thank you very much.

**The Chair:** We have approximately two minutes per caucus, and I'll start with the official opposition.

**Mr Phillips:** Just a comment on the methodology for assessment, and that's kind of a technical thing, Mr Seiling. Advice from the committee would be useful, but I glanced through it and my intuition would be that you have to work with the assessment corporation as well.

I have many questions, but your comments on focusing on taxes that are not—I think you called them—

**Mr Seiling:** Profit-sensitive, insensitive?

**Mr Phillips:** "That the focus returns to profit-sensitive taxes." That would run in the face of the thrust of the government, which is to put the focus on corporate income tax reductions and personal income tax reductions. Do you think it is wrong to be focusing there? Do you think the focus should be more on the non-profit-sensitive ones?

1650

**Mr Seiling:** Two things, first on the methodology: quite frankly, working with OPAC has been fruitless. They don't want to acknowledge it despite the fact that it is a real fact of life that there is business value. We're coming to the government because we haven't made any headway with OPAC.

In terms of profit-sensitive versus profit-insensitive, we believe the government has been focusing in that direction. In dealing with companies that look to invest in this province, prior to the announcements, our tax rate structure was uncompetitive. We simply weren't getting the investment. The taxes we're talking about were put in under previous governments. I understand why, some of the facts, it was put in. I don't think it made sense because it has been a disincentive to invest. I think ultimately the government is going to have to look at it, because when you talk to people who do invest and you try to explain to them why they have to pay tax if they didn't even make a profit, and they have to include their loans in that tax, it's a very difficult sell, especially when they can say, "I can go to another jurisdiction and not have to pay this tax. I think I'm going to head there."

I believe that it's something the government has to look at. On the other hand, they have to continue to work on cutting taxes to make sure that we are competitive. We saw what happened in Alberta the other day. We know in fact that some Canadian companies are already looking to moving assets into Alberta, and so we need to make sure we're competitive there. And, God forbid, if Mr Bush gets his \$1.6-trillion tax cut through in the United States, we've got another problem on our hands.

**Mr Christopherson:** I had a number of other comments and questions, but I have to say that when you got to page 15 you stopped me cold. You're recommending that the government hold the line on the minimum wage. I'd like you to tell me in good conscience how you can suggest that since the American government has increased their minimum wage twice and theirs is now higher than ours, how you possibly come in here and suggest that people should continue for I don't know how long—it's already been six years now—how can you suggest that someone should continue to receive less than \$200 a week to live on?



**Mr Seiling:** First of all I don't think your comparison is correct. We compete here in Ontario for workers by and large with other provinces in Canada, and until such time as the other provinces get up to what the minimum wage is in Ontario we won't be competitive. In fact, we've found that if you continue to raise minimum wage, what you do is eliminate job opportunities for young people.

We're in an industry that employs many young people. We're the port of entry. We give people their first jobs. We give people who are looking to re-enter the workforce or new Canadians their first jobs. We give them job skills, we give them life skills. Some of them will stay in our industry lifelong. You can come in as a waiter and end up being the president of the company, or you can come in and go somewhere else.

But the fact is, simply raising the minimum wage in actual fact, if you're getting it out of whack, which it was in this province for some time, you're doing a disservice to young people. They simply don't get hired, because there is only a certain amount of money available in your wage pool and people will just hire less.

**Mr Christopherson:** I'm sorry, but the studies that came out of the United States showed that that's not the case. That whole argument has been made. I'm sorry, I'm shocked. You're the first one so far who has actually come in here and said that it's OK to keep people in poverty. I really have trouble with that, sir.

**Mr Seiling:** Please don't put words in my mouth.

**Mr Christopherson:** You're running on the minimum wage, sir. That's what you're doing.

**Mr Seiling:** No. They can start there, but they can move on very quickly.

**Mr Arnott:** Thank you, Mr Seiling. It's good to hear that the hotels in Toronto are doing better, because you've made presentations to this committee over the years and I remember some fine presentations, but talking about the difficulty the sector was having, and it's good to see that things are improving.

You have recommended that we increase the threshold for businesses, in terms of paying the employer health tax, to \$600,000 of payroll. I agree that that's something the government ought to consider, and I would hope that we can do that in the upcoming budget. You've asked that this be made consistent with the paperwork threshold. Can you explain to me what that means?

**Mr Seiling:** The paper threshold. When you file there's a—I'm not an accountant so I don't want to get technical, but there is a threshold for business under which that \$600,000 you're filing is much different and all you would be doing is making it consistent with that number.

**Mr O'Toole:** I'm very fascinated. Over the course of time—I'm sorry that Mr Phillips isn't here, but he's made some references to the onerous industrial-commercial municipal tax rate. I just want to make sure I've got this down right. Apparently it's 8-to-1 commercial to residential in Toronto?

**Mr Seiling:** In Toronto it's 8 to 1. It's about half of the 905.

**Mr O'Toole:** We feel it's bad at 3.4 or something in Durham. That's commercial to residential. I think it should be emphasized that that decision is made—where? By the province or—

**Mr Seiling:** Oh, by the city.

**Mr O'Toole:** No, by the city of Toronto.

**Mr Seiling:** The municipality sets its own tax rates, yes.

**Mr O'Toole:** But that would mean, say, if you want to raise \$1 million, and they're going to change apportionment, they'd have to move it to somewhere else. If they lowered it to, say, 5 to 1, where do you think they would move that to?

**Mr Seiling:** Under Bill 140, the city is limited to where it can move things, and we're very appreciative of that change, as I said. Many councillors have told us privately that they don't have the wherewithal to do that because there isn't the political will within the city, and I can understand that.

**Mr O'Toole:** But it's easy to blame Mike Harris, though, isn't it?

**Mr Seiling:** I guess they need to blame somebody, but the fact is, they have the power to set their own rates. We urge the government not to change those hard caps, because certainly we're aware that the city has been in to see various people within the government, trying to make the hard caps soft caps, and it would defeat the purpose of the legislation. Ultimately, if we're going to get investment back into Toronto, you're going to have to reduce the property tax burden on businesses. If you drive around Toronto and you get rid of the condo cranes, you find hardly a single construction crane on commercial or industrial building. Drive around the 905 and there's all kinds of it. There is a relationship.

I would also suggest one of the reasons there's so much residential building here in Toronto is, when you're faced with a residential tax rate of roughly 1.2, and that number can vary from 1.4 to 1.6 out in the 905 area, and if you're a builder looking at—

**Mr O'Toole:** Guess where—

**Mr Seiling:** Guess where you're going to build.

**Mr O'Toole:** That proves the point, though, because the condos in Toronto are taxed—

**The Chair:** Mr O'Toole, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

#### TORONTO DISASTER RELIEF COMMITTEE

**The Chair:** Our next presentation is from the Toronto Disaster Relief Committee. Could you please come forward and state your name for the record.

**Ms Danielle Koyama:** My name is Danielle Koyama. I would like to thank you for allowing me to make this pre-budget submission to this committee today.

I'm presenting here today not only on behalf of the Toronto Disaster Relief Committee, but in memory of

those who could not be here with us today. I make this presentation in memory of Al, who was found dead on a grate in front of Queen's Park on February 4, 1999; in memory of 20-year-old Jennifer Caldwell, whose burned body was found in the Don River valley in March 2000, along with the remains of her charred sleeping bag and her makeshift shelter; in memory of Stanley Fontaine, found murdered in his sleeping bag in front of Osgoode Hall in September 2000.

I make this presentation in the hope that you truly consider the following evidence and take the opportunity before you to help end homelessness in this province.

The TDRC: who are we? The Toronto Disaster Relief Committee is a group of social policy, health care and housing experts, academics, business people, community health workers, social workers, AIDS activists, anti-poverty activists, people with homelessness experience, and members of the faith community.

We have worked with homeless people, studied homelessness, served on numerous committees and task forces, and have watched the homeless crisis worsen daily. We have bandaged the injuries caused by being homeless and have attended the funerals of many people.

Our founding members include nurses, university professors, housing advocates, lawyers and people who have homeless experience. Each member brings their specific experience and expertise to the collective efforts of the TDRC. Together we cover a wide range of the related issues and speak for a large and broad community. This community includes people who are or who have experienced homelessness, frontline workers, activists and concerned citizens; and, though centred in Toronto, spreads across the country. Our work has led directly to the formation of at least two other organizations, working hard and fast to end homelessness and ease the housing crisis: the National Housing and Homeless Network and the British Columbia Housing and Homeless Network.

**1700**

The TDRC is endorsed by over 400 organizations, including the city councils of Toronto, Ottawa-Carleton, Nepean and Vancouver, and the big city mayors' caucus of the Federation of Canadian Municipalities, the Federal Caucus of the New Democratic Party, the Canadian Housing and Renewal Association, the Co-operative Housing Federation of Canada, the National Anti-Poverty Organization, the Canadian Labour Congress, the Canadian Auto Workers, the Canadian Health Coalition and the Children's Aid Society of Toronto.

The emergency declaration: by endorsing the TDRC, these city councils, national organizations and citizens of Canada indicate their support for our declaration that homelessness in Canada is a national disaster. Our emergency declaration reads:

"That the provincial and federal governments be requested to declare homelessness a national disaster requiring emergency humanitarian relief and be urged to immediately develop and implement a national homelessness relief and prevention strategy using disaster

relief funds, both to provide the homeless with immediate health protection and housing and to prevent further homelessness."

We are encouraging all people, organizations and levels of government to explicitly recognize homelessness as a disaster and to immediately take appropriate action in all communities throughout the country. We are also urging the federal government to declare homelessness a national disaster.

Why is homelessness a national disaster? We have asked ourselves these questions:

Why is this human crisis not treated the same as other crises where people lose their housing and have their family and community networks disrupted, like the ice storm in Quebec and eastern Ontario, or like the floods in Manitoba? Why are governments not responding to the physical and mental harm, including death, caused by homelessness?

Why are they ignoring the spread of disease such as tuberculosis, HIV/AIDS and hepatitis?

Why is it that our public officials fail to recognize that tens of thousands of people without housing and without adequate food and health care constitutes one of the largest and most serious national disasters that Canada has ever faced? Disasters, natural or man-made, are not restricted to countries in the tropics, but their consequences are similar.

The evidence that the crisis of homelessness in the city of Toronto, this province and this country has become such a disaster started to accumulate in late 1995 and early 1996. This included serious overcrowding of our day and overnight shelter system; a 38% tuberculosis infection rate among the homeless; clusters of freezing deaths of homeless people; a rise in overall morbidity, including malnutrition; the spread of infectious disease; and a rise in the number of homeless deaths.

A study conducted by Dr Stephen Huang of St Michael's Hospital and the University of Toronto's medical school found that homeless men in Toronto aged 18 to 24 had a mortality rate eight times that of the general population, and men aged 25 to 44 had a mortality rate four times as high. This is unacceptable.

Despite Canada's reputation for providing relief to people made temporarily homeless by natural disasters, our governments are unwilling to help the scores of thousands of people in Canada condemned to homelessness. We urge you to mobilize in the face of this homeless disaster and come to the aid of this one's victims before the next person dies.

What does it mean to declare homelessness a disaster? Declaring homelessness a national disaster and emergency allows all levels of government to immediately implement emergency humanitarian relief and prevention measures. The strategy must provide the homeless with immediate health protection and housing, and it must institute measures that prevent further homelessness. In any disaster, people are provided with emergency assistance, then permanent measures are implemented.



The solutions to homelessness, its elimination and prevention are: housing—all homeless people require adequate and appropriate housing they can afford; income—all homeless people require enough money to live on, for example, a job, job training, adequate pension or social assistance; support services—some homeless people require support services.

The first such measure must be a massive reinvestment in the construction of affordable housing. Money spent providing expensive services to people without a place to live is money down the drain.

Homelessness is a serious human rights violation. All human rights violations are acts that disregard human dignity and the rule of law. The moral and ethical codes of the world's religions, international law, the Canadian Charter of Rights and Freedoms, and federal and provincial human rights legislation oblige Canadians and Canadian governments to refrain from acts, omissions or other measures that result in violations of human rights. The very existence of people who do not have any housing is by itself a most serious human rights violation.

On December 4, 1998, the United Nations committee on economic, social and cultural rights in Geneva, in its review of Canada's compliance, issued its strongest criticism ever of any Western nation's human rights record. This severe criticism of Canada reminds all nations that the failure to address and prevent homelessness is a most serious human rights violation. Eight paragraphs in the committee's report on Canada refer to homelessness. One refers to the Toronto Disaster Relief Committee's national disaster declaration.

In paragraph 24: "The committee is gravely concerned that such a wealthy country as Canada has allowed the problem of homelessness and inadequate housing to grow to such proportions that the mayors of Canada's 10 largest cities have now declared homelessness a national disaster."

Paragraph 34: "The committee is concerned that the state party did not take into account the committee's 1993 major concerns and recommendations when it adopted policies at federal, provincial and territorial levels which exacerbated poverty and homelessness among vulnerable groups during a time of strong economic growth and increasing affluence."

In March 1999 the TDRC submitted a detailed report to the United Nations human rights committee. This is the other of the two major human rights review committees within the UN. The TDRC report had a clear and blunt title, *Death on the Streets of Canada: A Report to the United Nations Human Rights Committee Regarding Compliance with Article 6 of the International Covenant on Civil and Political Rights by Canada*. This report helped draw the UN committee's attention to homelessness, resulting in the following comment in the committee's final report on Canada:

"12. The committee is concerned that homelessness has led to serious health problems and even to death. The committee recommends that the state party take positive

measures required by article 6 to address this serious problem."

In addition, there was enough evidence of the role public policy has played in Canada's homelessness disaster for an embarrassed Canadian government delegation to promise the UN to hold parliamentary hearings into the human rights concerns of the committee. The UN committee explicitly reminded the government of Canada of this promise in the third paragraph of its final report, issued on April 7, 1999:

"The committee welcomes the delegation's commitment to take actions to ensure effective follow-up in Canada of the committee's concluding observations and to further develop and improve mechanisms for ongoing review of compliance of the state party with the provisions of the covenant. In particular, the committee welcomes the delegation's commitment to inform public opinion in Canada about the committee's concerns and recommendations, to distribute the committee's concluding observations to all members of Parliament and to ensure that a parliamentary committee will hold hearings of issues arising from the committee's observations."

The Canadian government has not kept its promise.

Societies with homeless people amidst great prosperity have established and are maintaining homeless-creating processes: day-to-day normal mechanisms which result in people becoming unhoused and remaining unhoused, often for long periods of time. These are dehousing processes. The most basic human rights of a group of people within our communities are being violated. We cannot sit idly by and let this misery and death continue. The time to act is now.

The homelessness disaster in Toronto and across Ontario: in Toronto the disaster is flourishing. You will see it in a hundred ways every day, including the people panhandling for spare change to survive; the older men and women shovelling leftover casseroles from a soup kitchen into little plastic bags to take home to their rooming houses or squats; the wet sleeping bags left in a pile on a street corner; the permanent homes erected in alleyways, on grates, in squats, parks and under bridges; the church basements that are now open for emergency shelter, filled with people following a path of forced migration from church to church every night of the week in the winter.

#### 1710

There is no longer enough room in Toronto's emergency hostel system to provide safe shelter for this disaster's victims. On many nights, the city reports that the hostels are totally full. It is dangerous and unhealthy to run any shelter system at 100% capacity.

In Toronto, the largest growing group of people suffering in this disaster are children and families. The report of the mayor's Homelessness Action Task Force, released a few years ago, tells us that families make up 46% of people using Toronto hostels in 1996. The Children's Aid Society of Toronto found that lack of adequate housing was a significant issue for almost one in five of the children coming into their care. In the

Toronto Report Card on Homelessness 2001, an increase of 130% was found in the number of children in shelters; 6,200 children are living in shelters in Toronto.

The housing crisis looms ever larger all across Ontario, bringing more and more people to the brink of homelessness and then on to the province's streets. Where's Home?—the most thorough study and the latest data on housing conditions currently available—tells us that over 300,000 tenant households in Ontario are paying more than 50% of their incomes on rent. Many tenants are at immediate risk of becoming homeless. In most parts of Ontario, tenant incomes are falling even as rents rise faster than inflation. About 16,000 new rental units are needed annually, according to Canada Mortgage and Housing Corp, but almost no new affordable rental housing is being built. In Barrie, a town representative of many in Ontario, there was a 1,235% increase in stays at homeless shelters from 1994 to 1998. The Mission shelter in Ottawa recently had to open a palliative care unit to respond to the growing number of homeless deaths.

The State of the Disaster Winter 2000: A Report on Homelessness in the City of Toronto—this is appendix A, which all of you have received a copy of. The Toronto Disaster Relief Committee published the State of the Disaster report in October 2000. This report concerns itself with the dire situation in Toronto in the fall of 2000. Over 60 homeless women and men were interviewed to discover what it's like to be homeless in Toronto. The situation they described is disturbing and frightening. When asked for a solution to the problems they described in the shelter system, the most frequently given answer was this: "Open more shelter beds."

Overcrowding was one of the most common problems experienced by shelter users. It related to people's high stress levels and causes some people to be unable to use the shelter system, both because they cannot get in and because, if they could get in, they are unable to tolerate crowded conditions. Overcrowding also contributes to rampant infectious health problems such as continuous upper respiratory conditions and skin infestations such as lice and scabies. It is one of the primary causes of more serious problems such as increasing tuberculosis infection.

Hygiene facilities, lack of privacy and forced movement are other problems faced by people who are homeless. Virtually every homeless person we spoke with who was staying in a shelter had witnessed theft and violence. Two out of three of them had personally experienced theft or violence.

The most important reason for the explosive increase in people living outside is the lack of shelter beds in conjunction with the huge increase in homelessness generally. People living outside have made it clear that many of them fear the existing shelter system. For some people, living outside becomes a rational decision, the lesser of two evils. One of the most serious problems facing people forced to live outside is the lack of security of living space. People living outside are also less likely

to have an income source. As a result, they face more difficulty obtaining basic necessities such as food, clothing or medication. The lack of hygiene facilities is also a great difficulty faced by people living outside.

As the recent epidemic of homicides illustrates, homeless people living outside face a high risk of violence. Since the end of May 2000, five homeless people have been murdered in Toronto.

In concluding this report, the Toronto Disaster Relief Committee made recommendations to the city of Toronto to respond to the crisis in the shelter system and on the streets. These recommendations included the order of a moratorium on shelter closures; the opening of 1,000 new shelter beds, which would increase access and decrease overcrowding to ensure that the existing shelters and the new facilities at least meet the United Nations' standards for refugee camps, as well as the North American disaster relief standards.

Appendix B is a death list. It is a sketch of known deaths of people who were homeless or marginally housed. It is only a sketch, containing confirmed information from reliable sources. There have been many more deaths than these, but information is difficult to confirm.

During the year 2000, 35 homeless people whose names we did know died. A distressing trend was the dramatic increase in murders of homeless people. Over a five-month period, five people were murdered on Toronto's streets. John Currie was beaten to death at University and Dundas. Casey Smith was shot to death in Moss Park. Adrian Fillmore had his throat slashed in a bus shelter. Stanley Fontaine was found beaten to death on the lawn of Osgoode Hall. Michael Tilley was beaten to death in a parking lot. None of them had safe shelter when they died.

On June 5, 2000, Adrian Fillmore was murdered in a bus shelter at the corner of Bay and Wellesley. On June 8, there was a moment of silence in the Ontario Legislature for Mr Fillmore. We would like to thank the legislators for this, and we ask that you put your feelings into practice by committing to real solutions to homelessness, so that no more homeless people are murdered.

Evidence of the disaster: disturbing evidence will now be presented to allow you to see for yourself the disaster we are facing. The following is an example of why we urgently need action.

#### *Video presentation.*

1720

**Ms Koyama:** This should not be our response to the growing crisis of homelessness. We need immediate relief and long-term solutions.

Emergency relief: In September 2000, the Toronto Disaster Relief Committee met with former Housing Minister Tony Clement. Following this meeting, the province turned over the former Princess Margaret Hospital to the city of Toronto to be used as shelter or housing for people who are homeless. We commend the province for this initiative; however, we ask that the province provide the needed resources to convert this



building into affordable housing. We ask that the province continue this initiative and conduct an inventory of surplus provincial properties in Toronto and other cities to determine suitability for shelter.

The additional money announced by the province through the Off the Street, Into Shelter initiative provided some needed resources. However, at this point there is nowhere to go from the street. The city shelters are running at 95%-plus capacity on average and sometimes reach full capacity. There is no affordable housing to go to.

Long-term solutions: emergency response is necessary at this time, but it is not the solution. The Toronto Disaster Relief Committee supports proposals made by other organizations to restore funding for a social housing program. We are asking for a new program to create 20,000 new units, which would cost \$800 million annually. In addition, we are calling for the province to fund a total of 20,000 new rent supplement agreements annually. This would ensure that the new units are affordable to the low-income households and would cost \$100 million dollars annually. The total cost of this initiative would be \$900 million dollars annually. How much are the lives of Ontarians worth?

The disaster of homelessness has been compounded by the 1995 cuts to social assistance. People can no longer afford to pay their rent and evictions are skyrocketing. The Toronto Disaster Relief Committee strongly urges you to restore the 21.6% cut and increase shelter allowances for welfare recipients to reflect the realistic cost of housing. In addition, we ask that access to the Ontario Rental Housing Tribunal be increased. Additional staff and additional offices are urgently required.

In conclusion, Ontario's homeless are not a special-interest group. The homeless and under-housed in Ontario do not constitute a special interest group. We are not asking for favours or charity. Adequate and affordable shelter is not a luxury; it is a basic human right that is being denied to far too many people in the province right now. You, the Ontario government, have the means to change that. We urge you to act, and to do so immediately. It is your responsibility to address these problems and crises. No one else has the means to do so. We, the people of Ontario, through our government, have both the means and the responsibility to act now. For you do to anything else, and for us to proceed in any other context, is to misinterpret why we elect governments in the first place.

We ask that you provide immediate emergency relief to the shelter system, provide the necessary support

services, implement a new social housing program, build affordable housing, provide adequate income support measures and end mass homelessness in Ontario. Thank you.

**The Chair:** Thank you. There are two minutes left. I'll have one question. Mr Christopherson, it's your turn.

**Mr Christopherson:** You know what I'd like to do Chair? I'd like to give the presenter an opportunity to dialogue with the government members. We're already on side; I think she knows that. Why don't you ask them. Let's start getting some votes over there to do something about this. Why don't you ask her a question? Dialogue about this. Talk about this.

**The Chair:** Does anybody have a question?

**Mr O'Toole:** I appreciate your presentation. We've had a number of presentations, as you probably know, using similar numbers on the issue, and it is an important policy issue. I think many say that all levels of government have a job to do here.

It's not the appropriate time to talk about comments made by Mayor Lastman yesterday that may contradict some of the input you've given us here today, but certainly, as I've indicated by reading the papers and paying attention to my own community, it's not something I'm unaware of. I think you've given us an excellent presentation and I appreciate that.

**Ms Koyama:** You're welcome.

**Mr Kwinter:** I want to pick up on what my colleague just said. I'd like to get your reaction, because I think all governments have a responsibility, at the federal, provincial and municipal levels. I was really quite disturbed to see the reaction when the city council committee recommended that the city provide 1,000 beds in shelters and both the budget chief and the mayor said that there are 10% vacancies right now and there is no need for these. Do you have a reaction to that?

**Ms Koyama:** Obviously we were disappointed with the reaction of the mayor of Toronto. All I can say is that a lot of evidence has been presented to the city to indicate that we are in a crisis and we need an immediate response. I just hope that at the next committee meeting they do take part responsibility for ending this disaster and vote in favour of opening those new beds. But I agree, it's a responsibility of every level of government. So today I'm asking you, as the Ontario government, to please respond to this disaster.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

There is no announcement. This committee will be adjourned until 10 o'clock tomorrow morning.

*The committee adjourned at 1727.*





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## Assemblée législative de l'Ontario

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# Official Report of Debates (Hansard)

Thursday 15 February 2001

# Journal des débats (Hansard)

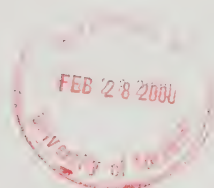
Jeudi 15 février 2001

**Standing committee on  
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances  
et des affaires économiques**

Consultations prébudgétaires



Chair: Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 15 February 2001

Jeudi 15 février 2001

*The committee met at 1000 in room 151.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning, everyone. It is shortly after 10 o'clock, so I will bring the meeting to order. Any comments from anyone this morning, from any of the members?

**Mr Gerry Phillips (Scarborough-Agincourt):** Mr Chair, if I might make a request of the research staff, last year they prepared for us a document outlining the relative tax levels in Ontario and selected US states. I found that useful and I wonder if I might request them to do that again.

**The Chair:** That sounds like a fair request to me.

**Mr Phillips:** This is dated February 15, 2000, so I thought on the first anniversary of it we might just—

**The Chair:** You're very consistent.

**Mr David Rampersad:** Any states in particular?

**Mr Phillips:** Last year's seemed fine to me. I think they had New York, Michigan, Ohio and Illinois, actually, and I think you had Indiana, Minnesota and Pennsylvania. But if it was easy to do last year, the same comparison would be helpful from our perspective.

**Mr Rampersad:** OK.

**Mr Phillips:** Thank you.

## TD BANK FINANCIAL GROUP

**The Chair:** Anything else? If not, our first presenter this morning is a representative from the Toronto Dominion Bank. On behalf of the committee, welcome. Could you please state your name for the record, and you have one hour for your presentation this morning.

**Mr Don Drummond:** Don Drummond. I'll try to, at most, use half of that for the presentation and leave time for questions.

There are two documents before you. The one with a little green banner on the top is a set of charts. That's what I would like to go through in my presentation. There are a few things in the presentation. There's a chart where there's a lot of information beneath the surface. For example, when I come to the economic and fiscal projections that require a lot of assumptions, we don't have the time to go through all of that, so you also have before you a pretty thorough narrative going through these charts. But I think I won't have time to go through

all that, so I'll leave that for the reference of the committee and just go through the charts.

To start with, just to declare the biases from my own experience, I've been with the TD Bank since June 2000, and prior to that I spent 23 years at the federal Department of Finance, so you might notice a few biases creeping up from that. I like to think of that experience as having been there when the federal government got rid of the deficit and turned to surpluses, but I'll give you a warning: I was also there during the huge deficits, so there's a little caveat perhaps to the advice I might give to the committee. Hopefully that won't drown out what some logical positions are.

**The Chair:** Balance.

**Mr Drummond:** Yes. If I could just then turn to the first page of the chart package, there are three things I would like to do. I would like to present an economic forecast for Ontario and use that economic forecast to present a status quo fiscal projection, status quo in the sense of embedding the policies that are already legislated, and then address the economic challenges I think need to be addressed in the 2001 budget.

Before getting into that, I wanted to speak a little bit on the budget planning framework. As one of my central recommendations in the case of Ontario, and I would recommend this to the other provinces, I think you need to look at a longer-term horizon in budget planning. If the budget plan this year follows the pattern from previous years, the economic forecast will be extended just through 2002, and the fiscal through fiscal year 2002-03, but simultaneously the budget will address decisions on taxation and potentially many areas of spending that have much longer-term consequences than that. For example, the 30% and 20% personal income tax commitments done in the past and the reference to lowering the corporate income tax rate last year by 2005 have fiscal consequences and consequences to the economy going much beyond the fiscal framework. To have a better degree of comfort as to how these can be encompassed within that fiscal framework, I think we'd need to look at a little bit longer-term horizon.

I know this is something I had pictured at the federal level for many years before it was finally accepted and there was a great deal of nervousness about it. There are some things that can be addressed. Obviously, the longer you go out, the greater the degree of risk, but there are some things that can be done to address that. Ontario does have a contingency reserve set aside. It's \$1 billion.



That's 1.6% of revenues. That could be increased over time to reflect the growing riskiness of the forecast going forward. Scenarios could potentially be presented. You could have one with a lower growth, one with a mid-range growth and one with a higher growth to sort of bracket the results.

What I'm going to do today is present the projections through 2004-05. I would note a point that the federal Auditor General has been on for quite a few years right now, urging all governments to not only look into the mid part of the decade but to not forget that a lot of things are going to change post-2011 when the baby boom generation starts to retire. I wouldn't suggest forecasts out through that time period, but I think it's probably a useful exercise to look at some of the pressures that are coming in that longer-term environment.

If I could turn to the second page, then, it simply makes the point that Ontario has an incredibly open economy. You can see that the dimension of that openness has been changing at a very rapid pace with the exports to other countries. In fact, the relative importance of exports within Canada has declined somewhat. Those exports to other countries are increasingly going to the United States. In fact, 94% of the external exports are now going to the United States. That's been a wonderful thing when the US economy has been in a boom; it won't necessarily be a wonderful thing in 2001, particularly the first half of the year, as the US economy slows down.

Obviously, with that export openness to the United States, what happens to the United States economy is going to be a key driver of the appropriate set of economic assumptions for Ontario.

On the top of page 3—this is the TD Bank's forecast for the United States—we think the first half of 2001 will be pretty bleak, in fact only 1% growth in the first quarter, so even a little bit weaker than the 1.4% that they managed to eke out in the fourth quarter; a little bit better, 1.9%, in the second quarter of the year. But together it presents a picture of a pretty dismal first half. We think it will strengthen by the second half of the year. We've already had 100 basis points of interest rate relief from the Federal Reserve Board. We think there will be another 75. The oil and natural gas prices are down a little bit. The exchange rate appreciation has reversed course somewhat in the United States. So a lot of the things that caused the weakness are coming down. Then, critically, it's based upon the hope that some of the excess inventories, particularly in the auto situation, will have been addressed by the end of the first half of the year so growth can get going at a stronger pace. That gives us an annual growth rate, you can see on the bottom chart, of 2.4%, and then returning to much more robust growth rates for 2002 and beyond.

At the top of page 4, one of the particular features of this US business cycle that is going to affect Ontario is going to be on the auto side. There are a lot of numbers in this chart at the top. The one I would draw your attention to, though, is that on the first panel, the sales of light vehicles, we expect that sales of light vehicles in the

United States will come down 7.5% in the year 2001. With that—because our production is not just Canadian production, it's in a North American context, with every second vehicle produced in Ontario being produced for export—we think the production of light vehicles will be cut back by 7% in Canada in 2001, and 97% of light vehicle assembly is in Ontario. If you count in the inputs the paint and the chrome and the rubber and the plastic and steel and aluminum and everything that goes into a car, and some of the after-market, the leasing and whatnot, you could easily get auto production, writ large, being as much as 10.5% of Ontario's economy. So you can see that this production cutback we're anticipating can knock almost a full percentage point off Ontario's growth rate.

With that context, we're expecting growth in Ontario to be 2.3% in 2001, and that's within the Canadian economy growing at about 2.7%, so that's really less than half the growth rates that we've had in the recent past, again with the presumption that these inventory cycles, particularly the auto cycle, have been dealt with in the first half of the year and return to much more robust growth than that.

The third-quarter national account statistics from Ontario were released this week and the third quarter was a little bit stronger than was imbedded in this forecast, so that 2.3%, if I was up to date, could easily be 2.4% or 2.5%. But the key point is that it will be a remarkably slower rate of growth than in the recent past, particularly not very robust in the first half of the year, probably to the point of not much net employment gain in the first half of the year, and the unemployment rate is sitting around 6% through 2001 and into 2002.

On page 5 there are a lot of numbers, and I'll just draw your attention to a couple. I thought if I was going to recommend that the fiscal formula actually go up to 2004, I should demonstrate that it can be done. One of the very first things I would point out is it's very difficult to do, and in some cases it strengthens the argument that we should go out there, because if somebody like myself who does have access to a fair bit of the information has such difficulty doing a four-year framework, it really shows that the citizens aren't very aware of where the medium-term fiscal consequences are—certain things like, I didn't know how to factor in the reduction of the corporate income tax rate to 8%; there's no schedule for that. I'm not even quite sure where we are on the remaining 20% of the personal income tax cut. So on a lot of these things we had to make assumptions.

Assuming here that we've put in the remainder of the personal income tax cuts over two years, we just straight-lined the corporate income tax reductions down to 8% by 2004 and assumed that health spending would grow at about 6% a year and the rest of the spending would grow at 3% a year, and we've come up with these numbers.

#### 1010

If you can go about halfway down that first chart, I guess the key line there is the underlying budget balance. For the current fiscal year you can see that number of

\$1.4 billion that was just released this week in the third-quarter update. We expect the number to be very similar to that next year: weaker growth and revenues, but the public debt charges should come down. But if we're taking off the reserve, we have to keep in mind that for planning purposes, that presents only somewhat less than \$500 million that could be allocated. The year after that has a somewhat weaker profile, less than a \$1-billion surplus, so there's actually a deficit after taking off the contingency reserve. The surplus is about the size of the contingency reserve the year after that, then growing somewhat larger than that.

I don't think a recession is in the cards; that's not our most likely. This is really just a little bit for fun, looking at the sensitivity of the forecast with different economic assumptions. In the bottom panel we assumed that instead of 2.3% growth this year and 3.3% next year, we only had 1.3% and 1.5%, so this is equivalent to a very mild recession in the mid-part of this year and a fairly sluggish recovery. That basically eliminates that \$1.461 billion surplus in 2001-02 and brings it to a mere \$79 million—let's just call it even. So in fact a deficit on a planning basis once we took off the reserve and then fairly large deficits beyond that.

I warn you that these are very much illustrative; I really don't have the information necessary to make these very precise. But it does suggest, assuming a pretty reasonable economic scenario—it's not as robust in recent years, but I would say that after this year it's consistent with the potential growth rate of the economy—that these surpluses for planning purposes and what could be allocated to tax relief and higher spending are not very large coming in the future years. The corollary of that is if there is to be further tax relief, it does suggest that there will probably have to be a further tightening in government spending beyond what I've assumed here.

I'll just for one moment, as a tangent, address a bit of a caveat that's sometimes raised, and that's the notion that tax reductions pay for themselves. That's not what is embedded in this forecast. I don't believe that would be the case in most instances. That's not to argue against tax relief—you do them for other reasons—but if you look at it, on average, Ontario taxes 15 cents of every dollar of economic activity. So you could flip that around, that if tax relief was to pay for itself, each dollar of tax relief would have to generate more than \$6 of economic activity. I find that would be quite large. You could see that, as well, to get the tax relief to pay for itself you'd have to be assuming the real economic growth to continue at the 5% pace, where we have a more conservative assumption in the 3% range.

Just turning to page 6, it's hard, looking at the economic environment right now, not to be singularly focused on the short term, with all the bleak news coming out, but I really think the budget planning has to look at a broader term. Two things here for a snapshot: Canada, although we've had good growth in the last couple of years, has not done very well in the last couple of decades. If you look at that top chart, I'm looking at real

gross domestic product, so output per person. As you can see throughout the entire 1990s, in both Canada and Ontario it only grew 13%, only an average of 1.3% a year—far below the US rate.

On a more telling basis, I think a more important statistic, if we look at what disposable income is available to individuals—what's left over after they pay their income tax, Canada pension plan and employment insurance contributions etc.—and look at that on a real basis per capita, you can see in the Canadian case, to the penny we're sitting today right exactly where we were at the beginning of 1990. So we went through a decade in the country with no progress on that standard of living measure, and in fact in Ontario it's still slightly below where it was, although with the tax relief and the forecast it should come above that level. But that's not a very impressive record over a 10-year period.

In that context, my pitch is that as you look to budget planning you shouldn't be so focused on the short term, but really the decisions should largely be around, "Will this bolster Ontario's growth on a longer-term basis?"

Looking at the challenges, really, going through the debt, the tax and the spending side, I'm one who advocates to continue to make considerable progress on the debt. As you can see from the chart at the top, if you look at that black line running through it, the debt-to-GDP ratio is coming down quite strongly. I think that's very much to be applauded. At the bottom you can see that sort of puts Ontario's debt-to-GDP ratio about in the middle of the pack for the provinces.

Probably the most telling statistic is on the top of page 8. Ontario allocates about 15 cents of every revenue dollar to paying interest on the public debt. That, I think, really shows the key benefit to getting that ratio down further. That's 15 cents that could be going to more productive uses and it's basically going to pay for past consumption, whereas it could go for programs that the citizens would value or lower tax relief. So I think it is important to keep in mind to continue to bring that debt burden down rather sharply.

On the tax burden side, just on the debt side, there's been great news in Ontario in the last couple of years. On the basis of the plans that are already in place, together with the forecast I presented, if I look at a very broad definition of the debt burden, just taking Ontario's own source revenues relative to Ontario's gross domestic product, you can see that it will come down in a couple of years to about the burden that prevailed in the early 1990s. So considerable progress has been made there.

There are a couple of areas in the tax area that do concern me, though. Turning to personal income tax—just before I come to Ontario, let me look at a more global picture of Canada—we have about the heaviest reliance on personal income taxes in the world. You can see that we're number one here in the G7, but it's not the category we'd like to be number one in. If we look back, the last year we have comparable statistics is 1998, and personal income tax accounted for 14% of our gross domestic product—way above everybody else. I've



extrapolated that to 2003 on the basis of the federal and provincial commitments already, including Ontario, and you can see that although we are moving in the right direction, at 12.5% we would still be the highest. I presented this in the most unfair way possible to those other countries because all those other countries have plans to cut their taxes as well. So as we're moving down, they, and particularly the United States, are moving further away from us.

The other feature—and Canada recognizes this—is that we tend to have high marginal tax rates. In Ontario the top marginal tax rate is just a little bit above 46%. I'm sure you're aware that in certain income ranges, say between \$20,000 and \$40,000, families could easily be facing marginal tax rates of 70%. The other feature is that our top marginal tax rate kicks in at relatively low income levels. Unfortunately the most comparable data go all the way back to 1996, but you can see at that point our top marginal tax rate kicked in at C\$60,000, whereas in the United States, \$371,000; in France, \$262,000 etc; so high marginal tax rates and kicking in at a fairly low level.

One of the things I presume will almost immediately have to be addressed in the next Ontario budget is the change in the tax thresholds that were introduced by the federal level in October. The top marginal tax rate at the federal level won't start until \$100,000 now whereas Ontario in the budget proposals in 2000 would have had the top marginal tax rate starting at \$60,000. I presume that will get addressed. I would recommend that it be addressed.

Premier Harris gave a speech recently and referred to the need to continue to work away at getting down the personal income tax burden and particularly referred to the competition from the United States in the context of President Bush's plan. This compares the top marginal tax rates in Ontario and a few of the other provinces with the United States with and without that Bush plan in place. You can see that at 46.2%, the top combined tax rate faced by an Ontario citizen is on the high side vis-à-vis those competitors in the United States, and in particular quite a bit higher than the Alberta rate of 39.5% once they've gone to their flat-tax scheme.

At the bottom you can really see, to the degree that you can call it a culprit, the factor for that marginal tax rate being somewhat higher than those other jurisdictions really comes down to the Ontario high-income surtaxes. Of that 46.4% top marginal tax rate, about six percentage points of that are accounted for by the surtaxes. In other words, without that, Ontario would have a top marginal tax rate that would be in the range of most of the US states even after Bush's tax reduction and it would be in the range of where Alberta is.

On the corporate income tax side I think it's a much happier story and it's a very encouraging story. My pitch to Ontario and other jurisdictions like Alberta is to point out to you what seems to be a very well kept secret so far. I can't tell you the number of business organizations I've spoken to in Canada and particularly in the United States that are not aware of the corporate tax reduction

plans of those governments or even of the federal governments. Once the federal government has lowered its federal corporate tax rate to 21% and Ontario and Alberta are down to 8%, businesses operating in those two provinces will face the lowest corporate income taxes anywhere in North America. This is not just a question of trying to match the United States or be competitive within Canada; these will be the lowest tax jurisdictions in North America. You can see on this chart that the combined federal and provincial rate in Ontario will be below the federal rate alone in the United States. So even if you take a state like Texas that has no state tax, the corporate income tax rate will be below here. I think the key thing here is to really nail down that schedule to getting to 2005. Alberta's trying to do it by 2004. I would think, as a minimum, Ontario would want to look at that.

#### 1020

I must say on the federal side, when we first put out a fairly vague time reference for getting the rate down to 21%, we thought that would largely satisfy the business community, but as I travelled around, particularly in the United States, I noticed there was a fair degree of skepticism. They really wanted to see it in legislation, when it was going to go there, so that might have some relevance on the Ontario side.

Turning to page 12 then, although Ontario will be very competitive on the corporate income tax side, I think one of the very weak points we have in the Canadian tax structure is on capital taxes. It's beyond a shadow of a doubt that the strength of the US economy in recent years has come because of their capital accumulation, particularly in the information processing sectors of that economy, a much faster growth rate than we've had in Canada. I think it is very unproductive that in Canada we very heavily and directly tax one of our prime sources of growth.

You can see in the little panel on the right-hand side that most provinces, including Ontario, do have fairly hefty general rates on capital taxes. They haven't perhaps seemed to have been all that onerous in the last couple of years because, of course, they are fixed taxes and as profits have been rising corporate income taxes may have seemed to have been more important. But I think these are going to be very punitive to businesses this year, in particular as profits decline.

If we're really playing the game of trying to be competitive with the United States, you can see in that little panel in the middle of the page that we have over triple the reliance relative to profits of capital taxes. You can see at the bottom that basically capital taxes in Canada hardly existed until about 10 years ago, but you can see now that they've become quite significant players on the provincial scene with an estimate that Ontario probably raises more than \$1 billion from these. To my mind it's \$1 billion that has quite a negative effect on economic growth.

I only addressed the Ontario sales tax—really, who knows if there's any basis for them, but musings about

perhaps cutting the Ontario sales tax rate. If I come back to my context, if the budget test in my terms is what it would do to bolster longer-term growth, I don't think this would be a very solid case. Again, it would be an element that would be a more stimulating assumption in the short-term than longer-term growth. I do think there's an element, though, of the Ontario sales tax that could be reformed for the better of the economy, and that is to recognize that a very large portion and probably about a third of the revenues come from intermediate products. Most directly that means again that continually it may seem that capital accumulation is really the basis for growth in modern economies. That increases the price of machinery and equipment about 3.6%. I'm just taking that estimate from the Ontario Fair Tax Commission. It also cuts into the profit margin of exporters, 0.2% to 0.6%. One of the current examples where you see the damaging effect of this intermediate product taxation is on the Ontario tax on the so-called custom software, where it's virtually impossible to establish the value of it and it ends up with double taxation across the provinces. But this software is really at the heart of the growth of many of the corporations.

At the bottom, this was from some work that was done by the Department of Finance and reported by the OECD a couple of years ago. It was trying to answer the question: for every dollar of taxation, what is the output loss from inefficiencies that raises in the economy? As you can see, by far the most damaging tax from an output perspective is corporate income tax, followed by personal income tax, and the least damaging is a broad-based sales tax. Now Ontario doesn't have that type of broad-based sales tax, but I think that the relative ordering of that is probably quite important.

Let me move on to just a couple of elements on the spending side. Just to point out first what we all know is that the growth in Canada has been led by the so-called high-technology sector, particularly in Ontario. It's been accounting for anywhere between a quarter and a third of Ontario's growth rates in the last four years, even though it is still fairly small. It's 10.8% of Ontario's economy. But along with that has come an insatiable appetite for knowledge workers, and of course it's not just restricted to high technology. High technology really runs through all sectors including my own bank.

One thing that I think is quite telling as we compare ourselves to the United States, over the last 20 years the United States has been increasing its per capita funding on a real basis to post-secondary education whereas Canada has been cutting back. In fact, if we look over that 20-year period, there's a 50% differential that's arisen. It may well be one of the elements why the United States has been doing better. You can see—it's a bit of a wiggly line—that in both Canada and Ontario, as a percentage of the total budgets, the post-secondary education budgets have been coming down just at the same time as we're entering this knowledge-based economy. We see a similar pattern on infrastructure coming down. We saw a larger reverse than 1999-2000, and perhaps

with the plans that will stay up. But on the spending side, that's another element that would meet that test of supporting longer-term growth.

My final comment before turning it over to questions is that I think we need to recognize that the regulatory side of government probably has as much impact on economies as the spending and taxation side. I'll just give one example of that. Despite this overwhelming trade we have with the United States, on goods we're 12 times more likely in Canada to trade within Canada than outside; on services we're 25 to 30 times more likely to trade within Canada; yet, as we've been trying our best to establish free trade regimes outside the country, we don't have a free trade regime within Canada. I know this is not solely in the domain of Ontario, but I think this is a crying shame in the modern economy. We need to build the economies of scale to succeed outside the country, and we won't do that until we get free trade inside. So my pitch would be for Ontario to continue to play a strong leadership role on that front.

Just in concluding, there are two aspects where I worry a little bit that some of the things I say might get misinterpreted. I seem to be saying, "Do more debt pay-down, do more tax relief and increase strategic investments," and at the same time I say, "Looking forward, there don't seem to be many resources available." So I seem to have failed the budget constraint test. But I remind you, implicit in what I'm saying—and Premier Harris seemed to acknowledge that when he spoke earlier this month—if you want to have all of those three elements, of course you're going to have to keep a very tight rein on all the other elements of spending. I'm not pretending in any way that it's going to be easy to accomplish everything that I've recommended here.

The other element I'm a little bit worried about is it might seem I'm inordinately concerned with things like capital taxes and corporate income taxes and the top marginal tax rate, but my main concern here is to make sure that the overall economic pie grows in Ontario, because I think that's the best bet: to make sure that everybody is left with a better standard of living.

I will stop there and turn it to you.

**The Chair:** Thank you very much. We have 10 minutes per caucus, and I'll start with the government side.

**Mr John O'Toole (Durham):** Thank you very much, Mr Drummond, for a very profound oversight—overview, rather. That wasn't a deliberate slip; it was an error on my part. We also won't hold it against you that you had some implication with the federal government not doing enough fast enough. That's our line on that.

Just for clarification on a couple of things, you were talking about increasing the contingency fund. I'll just go through the slides one at a time. We just moved the contingency fund back into the revenue side. It'll probably represent the surplus this year. A quick comment on that, if you may. You're saying in rough times we should build our contingency fund and you're recommending \$1 billion. Is that sufficient, in light of the volatility there?



**Mr Drummond:** I think in the context of the shorter-term forecast—again, I'll display my biases. It was I who came up with the proposal for the contingency reserve at the federal level, which I guess led to some of these other adoptions. What I had in mind was 1% of revenues and 1% of program spending. That combined, each one of those being \$1.5 billion, led us to the \$3 billion. Now, proportionally, Ontario is somewhat less than that, if you want me to give a proportion. Yours lines up to 0.8% of revenues and 0.8% of spending. So you might want to consider, particularly in this context, something a little bit higher.

The specific comment I made, though, in my pitch to look at a longer-term horizon was we need to recognize that the further out you go, the risk will be larger. If you have a growth rate bias, if the economy, instead of growing at 3%, only grows at 2.5%, then your errors are going to get progressively larger and larger over time. So I thought you might, in that context, want to ramp the \$1 billion up, so it might be \$2 billion or \$3 billion by the end. Then, if indeed you're making tax relief commitments for 2004, you would have a much greater degree of confidence that those can be accomplished.

It's probably a bit more of a quibble, whether the \$1 billion should be \$1 billion or \$1.5 billion in the short term, but my recommendation for an increase in it was in that context of a longer-term horizon.

**Mr O'Toole:** Often they criticize governments for having slush funds. You're suggesting that these are more cushions than slush funds, to deal with both contingencies and forecast problems as well in the GDP.

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**Mr Drummond:** I think, again, in designing at the federal level to address that very thing, knowing it was going to come, was why we established a very tight relationship. If it's not needed, it'll go to debt relief.

**Mr O'Toole:** That's right.

**Mr Drummond:** You have to demonstrate it was, and Ontario has done that. So I'm not so sure you're vulnerable to that charge, given that record.

**Mr O'Toole:** Looking on page 4, if I could quickly go through to get a better grasp of it, you're showing in 2001, if I'm reading the chart at the bottom of page 4 correctly, Ontario growing slower than the Canadian economy. That's 2001. Is that a fiscal year or is that an annualized year?

**Mr Drummond:** In Canada, for 2001 on an annual average basis we have 2.7% growth and 2.3% for Ontario. There's really only one reason behind that, and it's that we have knocked almost a percentage point off Ontario's growth because of the production cutback in the auto sector, which is indicated on the light vehicle assembly as 97% in Ontario. But if you look at it broadly, to encompass the aftermarket and all of the inputs, you still get about 65% of the auto industry being concentrated in Ontario.

**Mr O'Toole:** Is that more aggressive than our own forecasts? We're not showing as great an impact for the other reasons. The technology sector, you mentioned, is rather robust and growing. We might have made the

argument on day one that it's stronger than perhaps relative to Canada. Is there any offsetting effect? I'm saying that Ontario, showing a lower growth rate in 2001 to the rest of Canada, is somewhat a juxtaposition to what I see our government saying.

**Mr Drummond:** I'm not sure what the government's own forecast is. The only reference is that the Minister of Finance referred to 2.8%. That was taking an average of private sector forecasts. I'm not sure it encompassed ours, however, at 2.3%.

But as I indicated, 2.3% to 2.8% sounds like a big difference. Of course, in referring to this 2.8%, he had the benefit of knowing what the third-quarter numbers were for 2000. Because that increases the starting point, my 2.3% could easily be 2.4% or 2.5%.

**Mr O'Toole:** I have just one last quick question, if someone else has a question. On page 11, you're talking about corporate income tax and the ability to be competitive and actually moving that down to match or exceed Alberta. If you look at it from a policy perspective—we hear it in other areas; I hope this makes sense to you as an economist—really, it's shifting the tax burden. At the end of the day, if you're pulling it off somewhere, you have to get it from somewhere, unless you have real growth; that sort of takes care of it. We're not looking at that aggressive growth. But if you're shifting the tax revenue from the corporate side, and I'm sure Mr Christopherson will make the point, is that going to affect at a policy level services like health and education, or is it going to be shifted to some other kind of personal income tax or some other kind of tax? Where is the revenue going to come from if you're going to lose, and what's the forecast here that you're working with?

**Mr Drummond:** You're absolutely right. The phenomenon that's going on right now is that corporate income taxes are being arbitrated away around the world. There will be a day, and I don't think it'll be that much into the future, when there will not be a corporate income tax.

**Mr O'Toole:** Where is that revenue going to come from? Is it going to come from consumption or real growth?

**Mr Drummond:** On the spectrum, with the so-called phenomenon, the globalization and particularly the mobility of capital, it's going to have to go from the most mobile factors of production of capital down to the least. So I think you'll see a greater reliance not particularly on personal income tax but much more on the consumption side and probably things like property taxes.

**Mr O'Toole:** That's what the argument is municipally, moving the tax rates from commercial-industrial to residential, basically.

**Mr Drummond:** The interesting thing is that we always compare ourselves to the US as the benchmark, but we have to realize the United States very soon is going to be the highest corporate income tax regime in the world. In all of their debate, they are not talking about addressing the corporate income tax, so theirs isn't going to go down.

**Mr O'Toole:** Then you talk about the capital tax, which you criticized and I sort of support, because that's growing infrastructure and the ability to become competitive and productive.

**Mr Drummond:** That's right.

**Mr O'Toole:** In the general policy sense, where would you tend to move the tax load to? Just to consumption?

**Mr Drummond:** I'll demonstrate to you one of the reasons why maybe the federal government didn't want me working for them any more. My recommendation was always to increase the GST and use every cent of it to buy down personal and corporate income taxes, because I think it is the least harmful tax. I would not recommend that Ontario, with its present retail sales tax, necessarily increase the general rate, because I don't think it's a very good structure for the economy, with its heavy reliance on tax—

**Mr O'Toole:** But the argument from David Christopherson then becomes that the GST or consumption tax affects the person who spends most of their dollars in consumption.

**Mr Drummond:** Yes.

**Mr O'Toole:** They pay a higher rate or a higher load.

**Mr Drummond:** You do have to worry about the income distribution. There's no doubt we have a progressive personal income tax. At best, you have a neutral and perhaps regressive consumption, and you have to worry about maybe low-income credits to offset that. I think it can be done, though.

Again, we compare ourselves to the United States and we look like we have a relatively heavy reliance on sales taxes versus the US, but we're about the lowest in the world and they are the absolute lowest. I think over time you're going to see a greater reliance on sales and property types of taxes, perhaps payroll taxes as well, and certainly less on the corporate and probably progressively less on the personal tax side as well.

**Mr Raminder Gill (Bramalea-Gore-Malton-Springdale):** First of all, thank you for being here. One of the things you mentioned, and we've heard it before, is free trade within the provinces. How do you see that as being relaxed, removed or eliminated?

**Mr Drummond:** With a great deal of pain. We have an agreement right now, but basically anybody can apply a veto to it. So if you as the province are the violator, you can say, "We don't want to go along with the solution," and that's the end of it.

We have a citizen complaint process, but you can only succeed if you're willing to put up several millions of dollars in legal fees and persist with it for several years. So surprise, surprise, nobody bothers with it. No one seems to be willing to cede any of their jurisdictional control in the thing. It really almost comes down to one of the difficulties is getting our constitutional arrangement. It almost needs a body that's willing to impose some rules on that. Obviously, there's no willingness to have somebody like the federal government do that, so I'm not that optimistic. My hope is that people will realize how ironic it is that, as we establish—I put the

quote in there from the director of the internal trade agreement. We have freer trade rules going outside of Canada than we do within Canada. I just hope somebody will realize this is so counterproductive.

**Mr Gill:** The irony is that right now today we are in China drumming up more business and free trade, but we are not willing to talk. All the premiers are there, where they could be—

**Mr Drummond:** They won't trade with each other. Right in the clause on our internal agreement is that you're allowed to do some things as long as they don't unduly establish obstacles to trading across Canada. Why is that in there? Why is it "unduly"? I must admit, we've been at this in this country for an awfully long time and I'm not that optimistic.

**The Chair:** I'm sorry, we've run out of time. Mr Phillips.

**Mr Phillips:** Thank you very much for your presentation. I have just a comment on one of your recommendations, to take a longer-term outlook.

To the members in the government, I think it's obscene that we have virtually no forecast provided by the Ministry of Finance. You can say, "That's too bad," but we have no revenue forecasts, we have an economic forecast out eight months, 10 months, that's it, and no 2002 economic forecast.

The Chair will remember that we tried to get the Minister of Finance to come here to debate tax policy. The issue Mr Drummond is talking about is, what should be our tax policy? Where should we be looking at revenue: corporate, personal or consumption taxes? The minister wouldn't come. One hour a year we get the minister and two hours a year the staff.

I think at some stage this committee has to look at its role. There is a legitimate role here for us to debate the key issues. Believe me, the Ministry of Finance has got all this stuff but refuses to give us any of it. That's my rant. It has nothing to do with Mr Drummond, other than his recommendation. But if we want this committee to play a significant role—and it has gone on, probably, with three different governments, each successive government giving us less information. Under the NDP, we used to get three-year forecasts on revenue and economic outlook. That has slowly dried up. I think it's tragic. They've put a blindfold on us and asked us to find our way. The government members can reflect on that. I know you've got your marching orders, that we won't get it.

Having said all of that—Mr Drummond has and another bank economist has promised to give us similar data—I'd like to just chat a little bit. Here's what I think. I think without question there is an economic downturn, as we all acknowledge, and it has a profound impact on our revenues. We are being asked to preserve the quality of our health care system, but we are also being asked to agree to commit to some things that will have a profound impact on our revenue.

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That's where I go to page 5, because I think the committee should be looking at this or something similar.



What I take from this, Mr Drummond, is that you've got two cases here. One is that if we recover to a fairly significant economic recovery, 3.3% real GDP growth—2.3% this year and then going back up to 3.3%, 3% and 3%, which by most standards is good economic growth—we still are faced with a deficit position next fiscal year, 2002-03, not the one that's coming up but the following. If we are into a downturn that isn't even a recession but is a significant downturn—1.3% or 1.5% growth—we're looking at substantial deficits. I repeat, in my opinion the Ministry of Finance should be giving us these numbers. I take my hat off to the TD Bank, which has gone out on a limb a bit here. You used your own modelling to at least give us one view of it.

Have I interpreted those numbers correctly, though? If we are into very slow growth—1.3% to 1.5%—are we looking at a fairly significant deficit position quite quickly, like the upcoming fiscal year, and a very significant one the following year, and even with a pretty good recovery are we looking at a deficit position, assuming we provide a contingency reserve?

**Mr Drummond:** First let me say I feel somewhat nervous about presenting these fiscal numbers. I thought long and hard about whether it was even worthwhile to do it but ended up with the conclusion that these are the best I could do, and if there are problems with them it's because sufficient information has not been provided. So it's a bit of a cop-out, but basically it's not my fault. That's what the information we've put together provides. But I wouldn't want to say I would consider these are accurate, even to within \$1 billion. It's sort of like polls that are accurate 19% to 20% of the time within 4%.

Two clarifications on what you said: On the base case scenario that we'd be in a deficit by 2002, that's true, after you take off the \$1-billion contingency reserve. But before that there would be a small surplus, though. That's relevant, in the sense of a planning case. If you're standing here in the 2001 budget, you don't want to start eating into your contingency reserve. What you have available on a planning basis, yes, would be a deficit.

On the mild recession scenario—as you indicated, it's not really a recession. Actually it is, in a technical sense. The technical definition of a recession, of course, is two negative quarters. I do have two negative quarters within that 1.3% annual number, but it would be a mild recession. This is nothing approaching what Ontario faced in the early 1990s. But there are also good reasons why I didn't simulate that. We do have an inventory hangover in the auto sector, but we don't have any of the imbalances we had in the early 1990s. So I think it's realistic to put in a fairly mild scenario. But you're absolutely right: before the reserve, it would basically leave you with a balanced budget in the coming fiscal year and then very large deficits even before subtracting the reserve of almost \$3 billion beyond that.

**Mr Phillips:** Have you made some assumptions on further tax cuts?

**Mr Drummond:** No, this is the best I could do with purely status quo. I guess one of the other difficulties I

had was that I was not quite sure—and I couldn't get the answer to this—where we are vis-à-vis the 20%. I assume that half of it has been done and half is still to come, and I assume that would be done over the next two years. I assume we would straight-line the corporate income tax rate from 15.5% to 8% and get to 8% by 2004, even though I know the commitment last year was to 2005. So I'm making a lot of guesses here, but above that I haven't put any additional tax changes in.

**Mr Phillips:** But those two are built in.

**Mr Drummond:** Those are built in, yes, and that's obviously one of the reasons, if you look at the budgetary revenue, that the growth rates at 3.2%, 2.1%, 3.9% and 4.6% are all less than the growth in nominal income, because I'm factoring in the tax relief that's already been put on the table.

**Mr Phillips:** Amazingly, when we asked the minister and the staff where we are on the 20% cut, they couldn't give us an answer.

**Mr Drummond:** I asked as well, in doing this exercise, and I sort of read between the lines of the answer, and that's why I came up with this half. But I'm not so confident about that.

**Mr Phillips:** This is very helpful, and I appreciate your caution on the use of these numbers. But in my opinion, the ministry can do these numbers, and they just won't give them to us. I really believe that before the government implements the tax cuts, they owe Ontario these numbers. If these numbers hold true, by law the government has to cut spending, and it will come—because the bulk of our budget is health care. I'm just saying we should demand that the ministry provide this. I've tried that for two or three years, Mr Chair, and I don't hold out great hope. But someday our committee may want to examine how we can make ourselves more effective. I would hope we will look at your recommendation on long-term planning.

On the job front, on job creation, we've had very strong job creation over the last four years. How should we look at job creation over the next two to three years? I'm not an economist, but I've looked at employment growth and GDP growth over the last 10 years. Maybe it's a coincidence, but there tends to be a relationship. Job growth looks like it has grown an average of about 60% of GDP growth. By the way, I've never seen job growth occur at a rate faster than GDP. Can this committee use a benchmark of any sort for projecting job growth?

**Mr Drummond:** Yes. The benchmarks all get out of whack when you go into a cyclical change. The output tends to spurt way ahead of employment on the cyclical upswing and vice-versa. But if you're growing at a steady rate, it really comes down to productivity. Employment growth plus productivity growth equals output growth.

**Mr Phillips:** Yes.

**Mr Drummond:** And in Canada and Ontario in the last couple of years we've been having about a 1.5% per year increase in productivity. So whatever your projected

growth rate in GDP, subtract 1.5% and that suggests the percentage growth in employment over that time period.

Now, the United States has been having quite a bit faster productivity growth. They've been in the 2% to 2.5% range. Prior to what hit us starting in the fourth quarter—our slowdown in our machinery, equipment and investment boom—it looked to me like we were about to kick into that higher-productivity phase. You have to be really careful as you describe that, because the first-round impact of that, of course, may well be slower employment growth. Instead of taking GDP minus 1.5%, it might be GDP minus 2. But where it does show up to the benefit of everybody is stronger real wage gains, because ultimately real wage can only be driven by productivity. That's why I showed in those pictures the dismal economic growth we've had in Canada and Ontario over a 10-year period, which has shown up in no real wage growth. Looking forward, almost in an optimistic sense, you might actually get a larger gap between output and employment but much faster growth in wages per employee.

**The Chair:** Thank you very much, Mr Phillips. Mr Christopherson?

**Mr David Christopherson (Hamilton West):** Thank you very much for your presentation. I will follow up on a couple of things Mr O'Toole suggested I might, but I'll frame them my way rather than John's way.

I guess the first question will be sort of the large question of recommending that there be further tax reductions and quicker debt relief, yet still strategic investments, as you call them. Of course what is strategic at this time would be open for debate. But with a downturn in the foreseeable future, where do we get the revenue to do all those things, bearing in mind that yesterday we had Mr Stanford here from the CAW, who pointed out that the health care system in Canada is not only a benefit to Ontarians, because of its universal accessibility to health care, but it provides us with a \$6-an-hour advantage competitively and is one of the cornerstones of building the auto industry here in Ontario. How do we do all of that with less dollars than we've had in previous years in terms of surpluses?

1050

**Mr Drummond:** There are really only two ways out of that, neither one of them very pretty. I'm never pretending that they're easy.

On the revenue side, the only scope to generate increased revenues and use that to bring down the personal and potentially the capital tax side is on the sales tax side, in my view, whether that's an increase in the overall rate, which I wouldn't recommend, or base broadening. I won't say harmonization with the GST. I think there are a lot of things that would be good, but there are a lot of things you can do that still fall short of that. To the degree that there's every opportunity, I would say keep ramping up the tobacco taxes. We saw Martin musing about that. To the degree that we think we've got a hold on the smuggling, that can be used to bring down revenues. But that's really the only source within the revenue pie.

The only other way out of this box—and everybody will have a different ranking—is that we really need to rank all the spending by priority, and what's not a high priority will have to be curtailed very sharply, because there's a rough period coming up.

**Mr Christopherson:** You can appreciate that one of the concerns we have is that when we sit here in relative comfort and say that it's never easy, what it means is that if we follow the kinds of priorities that Mike Harris has chosen for the people of Ontario, the losers are not just paper dollar losers; they are families. We've had delegations come in and talk to us about the fact that the United Nations has taken us to task that we haven't done enough about child poverty, that our rates are way out of whack in terms of child poverty given the relative wealth we have in Ontario.

It's difficult for some of us to accept that that's just the way it's got to be given the impact on individuals and families, and for a government that says they care about families, you've got to wonder how they square that circle. The whole notion that it's just the way it is, that we have to leave people out there when we have choices, is very hard to accept, particularly when we've seen so much benefit and money go to those who are already very comfortable. For most of them, if they take a hit, it is a paper hit, as opposed to wondering where you're going to find enough money to give the baby milk.

**Mr Drummond:** I think we're looking at the same objective. My objective in framing these recommendations is to make sure all Ontarians are better off, and particularly that the people who are living in poverty or near poverty end up better off. My point is, there are two ways you can look at going about that.

One of the ways is programs that directly support that, and I think that's a very valid way of looking at it. My other one was, let's look at a broader context. One of the reasons why people are having difficulties with income in Ontario and Canada right now is that we basically haven't grown as a country in the last 10 years. That's not just taking income away from higher-income individuals; it's taking away income from everybody. I think the litmus test for elements of the budget is what it's going to do for longer-term growth. I'm not saying that necessarily trickles down and benefits everybody, but there is no way you can increase the lot of everybody if the whole pie is not expanding at a reasonable rate. The pie in Canada hasn't been growing at all in the last 10 to 15 years. In fact, if you look at what the IMF categorized as advanced economies, out of 46 of them, we've had the third-lowest growth per capita in the last 15 years. I think our starting point has got to be to turn that around.

**Mr Christopherson:** But if we take a look at what's happened in the last few years, we've followed that course and we've had growth. We've had phenomenal growth, record levels of growth, yet more and more people are being left behind. I'm sorry, but once we move from the stark economics—and I very much appreciate and respect that's where you are and very much appreciate your coming in and sharing with us



what you know. But in the transition from that to what happens out there in people's homes and in our neighbourhoods, that takes us into the political arena, and it's the choices this government has made that give an awful lot of us a lot of difficulty, because it has left so many folks behind. You've got people who were hurting before and they're hurting more than ever, and others are doing very well. Our numbers look good, but the number of people who are getting left behind—and I know a lot of the presentations we're about to hear are from women or families headed up by single parents, women, with 40% of the people on social assistance being kids. At some point, we can't accept that the stark numbers alone are going to drive all our decisions about society.

If I can, you mentioned taking a broader view. Again referring to Mr Stanford's presentation yesterday, he pointed out that as a result of the income redistribution that we have, if you include taxes, transfer payments to individuals, and then all public spending, such as on fire services, police, all of that, if you take a look at all those things, he pointed out to us yesterday that in figures from StatsCan, in terms of the relationship between the top 20% of income earners and the bottom 20% of income earners, when you start out at raw income, just gross dollars, the ratio is 27 to 1. By the time we conclude all of the transfers and, as I say, all of the public spending, and count that as public goods, it reduces it so that we're at 4 to 1.

Now, it would seem to me that in the broader view, those kinds of income redistribution mechanisms are what make this the greatest country in the world to live in, because there is a lot of wealth. By virtue of the systems and tax measures we have, we're able to redistribute that so that everybody gets a share of it. The filthy rich are still filthy rich; they may be just slightly less filthy rich than they would have been otherwise. But for someone else, it means the difference between whether or not they've got a roof over their head.

I say all of that because I'm really concerned about your suggestion that you foresee that we're going to rely more on consumption and property taxes. Yes, John, I'm going to raise that as a real issue, because there's no inherent fairness in that. If you pay property taxes, it's based on the land and the value of the building: no relationship to the amount of income you have. So the higher your income, the less, as a percentage of your income, it costs to take care of a fundamental, basic need, which is housing. As soon as we start moving away from the progressive income tax and more to consumption and property tax, we're losing that progressiveness, and that ratio that I mentioned being at 4 to 1 is going to start increasing again.

We already know that Canada has one of the widest and one of the most rapidly growing gaps of income between those who have and those who don't. To me, when we talk about going down that road, that's not Canada any more; that's not Ontario. That's not why the United Nations says this is the best place in the world to live, not because we give our richest people the biggest

tax benefits, but because we find a way to use that wealth to still allow a whole class of very rich people, some of the richest in the world, also to provide some benefit for the rest of the people, the majority of the folks. Surely there has got to be an acceptance that that's just not good enough. It wasn't for Canadian leaders and Ontario leaders before now; why should it be now?

**Mr Drummond:** I think there are a lot of difficulties that come with this trend of moving away from the so-called taxation of highly mobile factors like corporate and, to a lesser degree, the personal income tax, but I just don't see as a realistic model that we can buck that trend. We will not have the corporations in Canada and the jobs that come along with that and the income that comes along with that if we're totally out of sync with everybody else. We can talk about the implications of that and the shame that comes with that, but it is extraordinarily easy for multinational corporations to book their profits where they want and to book their losses where they want. They will book their losses in the high-tax jurisdictions and they'll book their profits in the low-tax jurisdictions. That's what's been happening in Canada for a number of years right now. On an inside-Canada scale, we're already seeing that that's what is happening within Canada: the low-tax jurisdictions are attracting the taxes, and the higher-taxed jurisdictions are attracting the expenses.

So whether we like it or not, I think that revenue source over time is going to dry up. Then we're going to have to deal with a lot of the problems you had. I'm not pretending they're easy, but I don't see how we can sustain and have job growth and increase this economic pie, which I think ultimately is critical to addressing the needs that you talk about, if we have a 5% to 10% higher corporate tax regime or top personal income tax rates that are 10% or 15% above where they're going to be in the rest of the world.

**Mr Christopherson:** That's fair enough.

**The Chair:** With that, Mr Christopherson, we've run out of time.

Mr Drummond, on behalf of the committee, thank you very much for your presentation this morning.

I have to apologize to the committee, but we will have to take a 15-minute recess because work has to be performed on the wall here and apparently it's going to be fairly noisy. So we'll recess until 11:15 this morning.

*The committee recessed from 1100 to 1118.*

#### ONTARIO ASSOCIATION OF INTERVAL AND TRANSITION HOUSES

**The Chair:** If I can get your attention, we'll bring the meeting back to order. I would like to apologize for the inconvenience to the presenters.

Our next presenters are representatives from the Ontario Association of Interval and Transition Houses. Could you come forward and state your names for the record, please.

**Ms Eileen Morrow:** Actually, there's only one of me. My name is Eileen Morrow and I'm the co-ordinator of the Ontario Association of Interval and Transition Houses, which is a 66-member coalition of first-stage shelters across the province primarily for abused women and their children.

I've distributed a brief and I'm just going to read a shorter version of essentially the same thing for you. Thank you very much for giving us the opportunity to come here today and speak with you again; we've been here many years.

I'm just going to talk a little bit about the concerns of abused women. Many of the concerns of abused women are related to decisions on budget resource allocations by government and by priorities set during budget deliberations. While it is true that not everything can be solved with money, it is also true that serious social problems cannot be solved without it.

You may be horrified by the crimes of violence against women. You may hear the statistics and be shocked by these numbers: 29% of women in Ontario experience criminal violence from an intimate partner; 75% of stalking victims are women, most stalked by previous partners; 31% of women who escape to emergency women's shelters in Canada stay in Ontario shelters; intimate partners murder an average of 40 women a year in Ontario.

But in the real lives of women and children, crime stories and statistics tell only a very small part of a very complex story. As women attempt to move from violent control to freedom, they encounter situations and systems affected by the public policy decisions made here. Whether they find support or rejection when they escape is to a large extent, then, up to you.

Here are a few of the points women and children pass on their way to safety and freedom where you can help.

Women need to break the silence. Still today, too many women do not find the support they need to end the violence in their lives. A 1993 Statistics Canada survey found that almost one quarter of women told no one about the violence. We must provide more support for the local neighbourhood women's groups and women's centres, educational outreach, and outreach to women in rural and remote communities that give women a safe place to disclose abuse. We must provide information to women who are newcomers to Canada and information to diverse groups of women working at local community levels to break the isolation, which is the bedrock of violence. You can help by allocating resources for these points of entry for women breaking their silence.

Women need to get free of violence. When women do find the courage to tell, clearly the delivery of community-based services—from crisis lines to emergency shelters for women to community counselling programs and other local support services—is critical for women seeking the information, support and advocacy both they and their children need to start addressing abusive relationships. Over 80% of abused women have found women's shelters and counselling services to be the most supportive community response to their situation.

But these services remain under pressure since the funding cuts of 1995. Between 1995 and 1998, demand for OAITH women's shelter services increased from 11% to 30% in different programs. Some 84% of shelters report that access to many other local services has also decreased, making it harder for shelters to address women's needs. You can take action to ensure that underfunded, overwhelmed women's shelters and other community support programs are able to address rising demands.

Women need to live beyond crisis. To leave violence, women and children must have basic social supports from which they can rebuild their lives and make their own independent choices. You can help by providing adequate basic supports.

The first and most important is social assistance. We know from our experience in shelters that a large percentage of women and children on welfare in Ontario are there as a means to escape violence. Canadian research has not quantified this experience, but studies from similar US communities indicate that abused women may represent the majority of women who receive social assistance.

I have included within my written brief results from one study indicating 65% of women using social assistance had experienced criminal acts of violence and another reporting that over 57% of women in one workfare program had experienced physical violence by an intimate partner. Can it be much different here in Canada?

In 1996, two thirds of OAITH shelters reported that they knew of women who were remaining with or returning to abusive situations because they could not survive after the 21.6% cut in social assistance. The Ontario Social Safety Network now calculates that inflation has further eroded welfare benefits, resulting in a cut equivalent to almost 30%. So things are even worse for women leaving in 2001.

You have the power to change that situation. I ask you today to do that by recommending an increase in social assistance rates. Women and children have a right to adequate financial assistance to escape violence.

Women need housing. If it is dangerous to live in your home and you must flee, you are essentially homeless. Accessible, affordable and adequate housing is critical to women's safety and independence.

Shelters in OAITH have reported to us that lack of housing is forcing women to return to abusers, or that abused women and their children are forced to live in the worst housing in town because they are on welfare or cannot afford safe, adequate market rental housing.

Although there still exists a special priority list for subsidized housing for abuse victims in Ontario, many shelters are now reporting that the eligibility for placement on the list is tightening to the point where many deserving women and children are rejected.

Women need legal aid and equal access to justice. When women leave abusive situations, they use legal systems, especially family law, to access their right to



safety, to protect their children from abusive parenting and to access their fair share of property and assets.

Compared to criminal legal aid funding, funding for family law legal aid, where most women go, is low, resulting in systemic discrimination against women in Ontario's legal aid system. Tightened eligibility requirements and limits to the number of hours legal aid will pay for women's legal matters continues to jeopardize women's equal access to justice in Ontario. Women who need language or other interpretation services are disadvantaged when hours are limited, resulting in even greater inequality among women.

You can provide equal access with strong financial support for family law legal aid and allocation of sufficient funds to address all legal matters for women and children escaping violence. This kind of support is only one of the many recommendations not yet implemented from the 1998 inquest into the death of Arlene May.

Women need to create new lives. If women are to rebuild new lives free of violence, we must ensure that women can survive economically and share equally in the benefits of the Canadian prosperity we so often hear boasted about by elected officials. There are resource initiatives and economic policy directions that you can take here to ensure that women and children have a chance to enjoy their fair share, including provision of adequate, affordable child care for women leaving abusive situations; employment and training resources to allow abused women to upgrade and train so they can adequately support their children alone. You can provide workplace standards that recognize that women must not be under pressure to endure harassment, unequal pay, long, irregular working hours or working conditions that prevent them from providing adequate time and resources to their families.

Finally, we must all be dedicated to ending violence against women. We are not just about mourning women after they are dead, nor are we concerned only about responding to continuing violence against women; we want to end violence against women. This should be your goal as well.

A conservative estimate of the financial costs of violence against women in Canada is over \$4 billion. The human costs are much higher and far-reaching. It is long past time for us to be putting greater efforts into education and prevention actions that would eliminate violence against women in the future.

Initiatives must focus not only on education efforts with children in schools, although these are obviously essential, but also within the public at large so that we all have the knowledge and commitment to change the culture of violence against women.

Perhaps most important, violence against women will not end without recognition by public policy-makers like you that violence against women is a result of women's social, economic and political inequality and that, to end it, those inequalities must be challenged and eliminated. You can make that happen by providing the political support and resources to grassroots, anti-violence edu-

cators, advocates and activists who are ultimately at the heart of virtually every progressive step taken in Canada to end this pervasive violation of women's human and equality rights.

I have outlined only a few of the supports needed. They require the resources and the political will that you deliberate about on this committee. Here are just a few suggestions for action that you can recommend in your upcoming report:

(1) You can implement the suggestions of the cross-sectoral violence against women strategy group, which has provided a list of 37 measures for addressing violence against women in Ontario, now endorsed by 165 groups from across the province. These measures include initiatives in three important areas: community-based services, legal reforms and services, and economic survival and workplace safety. All MPPs of the Ontario Legislature received the full text of these measures in the fall session and the cross-sectoral group has called for all-party support for them. A summary of the measures is attached to this brief.

The measures were developed by groups of women across the province from all sectors after the murders of women in the summer, many of whom were very high profile in the media. I'd like you to know that since then, at least seven more women have been murdered in Ontario and more will die this year. These measures have not been implemented, but they are still needed.

(2) Provide adequate provincial resources for safe, affordable low-income housing and subsidized housing.

**1130**

(3) Provide sufficient resources in Ontario so that safe, affordable, accessible and non-profit child care is available for every child and family that needs it.

(4) Provide increased funding resources for education, prevention and public advocacy, and equality rights work on behalf of women and children.

These and other initiatives would go a long way to supporting the women and children you are charged with representing in the House. We look forward to seeing more than our organization's name listed in the report of the committee this year. We look forward to seeing these and other progressive recommendations that will help save the lives—mentally, emotionally and physically—of women and children in your constituencies. Thank you.

**The Chair:** Thank you very much. We have approximately five minutes per caucus and I'll start with the official opposition.

**Mr Phillips:** Thank you very much. Can you help us a little bit with one of your key recommendations, which is housing at a time when a woman is ready to leave a shelter? I gather then the staff is looking for a place where that person can go. I know I get a lot of people in my constituency office who are having a real problem finding housing now. We heard yesterday and the day before from the house building organization that there's virtually no new rental accommodation being built and zero in the way of social assistance housing being built. How big a problem is this now in terms of your staff and

how do they actually cope with it? How do they actually find a place for someone to go?

**Ms Morrow:** It's a huge, huge problem, more so in some communities than others. I'm hearing from shelters across the province that financial assistance and housing are the two biggest problems women face when they leave abusive relationships. Women can wait, even if they're on the special priority list, which is getting more and more difficult for abused women to get on. Even if you're on the priority list, which theoretically moves you to the top of the subsidized housing list, it can take up to five months for you to get a unit. If you don't happen to get on that list, it can take up to five years for you to get subsidized housing.

Most abused women when they leave abusive situations, even if they come from a situation where the family had income, don't have access and control over the finances and it will take them sometimes years to get their share of the assets. That means a lot of women end up on social assistance temporarily after they leave abusive situations and they will be there when they look for housing. So, it's very difficult.

The government of Ontario has supported in the downloading the continuation of the special priority list for abuse victims but I have to tell you that I'm hearing from all over the province that the restrictions on that list are getting so tight that in effect what's happening municipally is that women are being rejected from the list. At this point, we're getting to a stage where if you haven't made a report to the police, you're not abused. As you know, only a quarter of women ever call police. My feeling is that eventually we'll see a point where you'll have to have a conviction and then it will be the police who decide who's abused and who isn't abused.

Women are being asked for more and more levels of verification from community agencies, so you have to be involved with all kinds of community agencies in order to get priority listing housing because you have to have all these different people verify that you are in fact an abused woman in order to get the housing. It didn't used to be like that. It's getting much more difficult and staff in shelters, quite frankly, not just in housing but in other services, are having to spend more time, even though the demand is greater, getting the same level of services for women than they used to get several years back. It is getting more difficult and the demand is rising while the funding is falling.

**Mr Phillips:** When a person who has an abusive situation phones for help, are all of them accommodated instantly somewhere and is there always space in traditional shelters or are you using any backup systems?

**Ms Morrow:** There's certainly not always space in an emergency shelter for women, no. In some communities like Ottawa and Toronto and larger centres, shelters are almost always at capacity. So although women are leaving, obviously, and moving on as fast as we can move them on, we also then always have women who are needing space. What shelters traditionally do is bring the woman to the shelter or try and find some other place for

the woman in another shelter, sometimes moving her out of the community into another community temporarily, which is quite disruptive because then she has to move everything somewhere else and then come back again. Some women, quite frankly, are sitting in hotels or in motels. I understand that in Toronto the municipal government at one point was stating that there were 400 abused women in motels waiting for some kind of housing. So not all abused women are getting the services they would get from a shelter.

**Mr Christopherson:** Eileen, welcome again. The last few years I'm not sure if you've been listened to, but certainly those who have been around for a while—

**Ms Morrow:** We'll keep coming back until we are listened to.

**Mr Christopherson:** That's good, because it's the only way. You're probably at least the second, maybe the third or fourth, who has reminded everybody about what happened with the cuts to social assistance and the fact that it was 21.6% when the government proudly announced that they were cutting the income of the poorest of the poor. That's now risen with inflation to 30%, and you've made that point here.

If I can make an observation, one thing about this committee is that it gives you a really good cross-section of how different people view what's going on in Ontario. We get some folks who roll in here and everything amounts to, again, more of what the Harris government has already done, which means more for those who already have at the end of the day. Yet your group comes forward and we have housing advocates and anti-poverty advocates come in and start pointing out that when you take away the shine and the headlines, there's a lot of pain going on in this province at a time of enormous growth. Heading into a recession, it's terrifying to think that now they've got an excuse, at least some kind of an excuse, to say, "We can't afford this right now."

Our worry all along during the boom years has been that if you're not going to make these investments and spend the money on these things when we have the money, the ability to make that public argument when there isn't money, when the services are really needed, becomes more difficult. Yet that's exactly where we are today.

Also, I want to remind the members of the government, because they'll probably talk to you about it—I'll tell you what they do. They either divert and talk about something that sort of runs parallel to what your issues are or they'll micro. They'll go into one little aspect of something that you've raised and hope they can eat up the time in there. What I'd like to see them talk about is the fact that this government made a huge deal about saying, "We'll listen to coroners' inquests," and they do, as long as it gives them an excuse to do their extreme right wing, hard-line, law-and-order stuff that plays so well for them. But here you've got the Arlene May inquest and they've done virtually nothing—I understand they've started some things, but virtually nothing—on the key recommendations.



The emergency recommendations that were brought forward I see are now up to 165 community groups—165 groups focusing on 37 issues. Let me say very directly to this government, if that was 165 business groups, this stuff would already be done. That's the reality.

There's one chance to break this—and I know my time is just about up. I didn't have a lot of questions. I know what's going on; you know what's going on. It's up to convincing these folks. The only chance we have of breaking that, and this is an opportunity the government backbenchers have, is that you can include exactly what Eileen has asked. Put in your report, because you'll carry the majority report—we'll probably end up having two dissenting reports. You've got an opportunity, in whatever way you want to word it to cover your political ass with your colleagues in caucus, to say something needs to be done here. They expect me to say it. They expect Gerry Phillips to say it. What matters is if you folks say it. If you actually go on the record and say, "I sat there and listened to what's going on in the province, and something has to be done," you know what? Something may get done, even if it's because they have to deal with the political squeak that you've created. The oil will be something that appears in the budget. There's a chance to do that.

So if there's time for you to comment on what I've said, I would appreciate that, Eileen. If not, then I would urge you to do what you can to extract some kind of commitment from these individual people, who I think personally care, to put that caring into action where it can do some good. Either that or say that you don't think this is important. Tell Eileen to her face that these issues are not important and it's more important for you to make sure there's another corporate tax cut. One of the two, but don't just ride it out. Don't make this process so irrelevant that it's just a public relations exercise.

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**The Chair:** You've got time for a quick comment if you wish. If not, I'll go on to the other side.

**Ms Morrow:** I absolutely would plead with you to say something in your report, please. I've been here many years in a row and I read the report of the committee when it's finished. I have to say that it is kind of discouraging to come here and find nothing in the report except a list of the people who attended. It makes you think that in fact what you had to say wasn't relevant to the government's priorities and that the people who do deliberate pre-budget don't have any interest in the issues that we're raising. We would like to see that interest reflected somewhere in your report.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation. I was at these pre-budget hearings last year and I remember you making a presentation, so thank you once again for coming forward and for all the work that you do on behalf of the vulnerable in our society.

As a government, we certainly do care. Safety is one of our biggest concerns, and certainly safety of those who are involved with domestic violence and their children. In the 1999-2000 budget we invested \$110 million, and

\$135 million in 2000-01, and it will increase to \$140 million in 2001-02 for programs and services to address and prevent violence against women and their children. So as a government, it's certainly one of the priorities.

These hearings are not only seen by the government members who are here, but they're also monitored by ministry and staff. So all of the comments that are made in these hearings would certainly be taken into consideration once we put together the report to the minister.

You've stated that it would cost about \$4 billion Canada-wide. My question was going to be in Ontario, but I'm looking at the brochure that you've put together here that has some of the costs. Are these costs in this brochure specifically related to the recommendations that you've made here and specific to Ontario?

**Ms Morrow:** Yes.

**Mrs Molinari:** Having also been involved myself in some of the hearings with the Domestic Violence Protection Act, the new bill that was passed in December 2000, the intervention orders that are in place will make it easier for those who have been abused to be able to access the court system. As a matter of fact, it will be available 24 hours a day, seven days a week for those who need to access the court system in order to get protection for their families.

Were you involved in that? Did you come forward and make presentations on that bill as well?

**Ms Morrow:** Yes, we did.

**Mrs Molinari:** So I've seen you a few times, yes. Again, thank you for all of your input. Certainly the information that you've provided for us here is very succinct and detailed. On behalf of my colleagues and all of those from the government side, it will definitely be taken into consideration along with all of the other presentations that are made in the next two weeks as we engage in this very interesting and challenging process.

**Mr Gill:** Thank you for being here. On the labour front—I've been a parliamentary assistant to the labour minister—you have three recommendations. Two of those, I'm glad to say, have been met: for example, extended emergency leave not only to women, but to everybody who may need extended emergency leave, and parental leave benefits up to one year. So those have been implemented and passed.

**Mr Christopherson:** Not in small workplaces.

**Mr Gill:** But out of three, two recommendations have been met. I just wanted to point out that the work is being done and we are listening.

**Ms Morrow:** I just have to comment on that because women don't have pay equity at this point. In fact, women who leave abusive situations are going to be very poor. We're in a situation here where if we actually want women to leave abusers—and that's what this government wants them to do. If you actually want them to leave abusers, you have to set up a community where they can live and raise their children without the support of abusers. You can't do that if you're in a situation where you may have to work 60 hours a week, because it's unlikely that you're going to be able to fulfill the requirements of your family life in a situation like that.

You can't support children without child care that's available, affordable, accessible. You can't do that without having a safe workplace. You can't do that without having equal pay and without having equity in terms of employment, so that we have equal access to employment for all communities of women, and that doesn't happen in Ontario.

Although it's fine to list the things that have been done and accomplished, and we can debate whether or not and how effective and useful those have been, I'm trying to convey to you that it's getting harder for women and children to get out of abusive situations, and there's a lot that still needs to be done.

I'm here to convey that message to you and to ask you to put in place some things that will move us on, and not just in a situation where we deal with an emergency, call the police and we'll give more money to victim services or get an intervention order. I have no problem with improving restraining orders, no problem with that whatsoever, but I just need to tell you that it's another order telling him to stay away, and you and I both know he doesn't stay away. When there's an order, he doesn't honour the order. Although orders are fine, and you need orders, no matter how great the orders are, no matter how perfectly they're framed, it's just another order.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

**Ms Morrow:** Thank you for listening.

#### ONTARIO COALITION FOR BETTER CHILD CARE

**The Chair:** The next presenters are representatives from the Ontario Coalition for Better Child Care. If you could please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Ms Mary-Anne Bédard:** Thank you very much. Good morning. My name is Mary-Anne Bédard. I'm the executive director of the Ontario Coalition for Better Child Care.

**Ms Susan Sperling:** I'm Susan Sperling. I'm the public education coordinator for the Ontario Coalition for Better Child Care.

**Ms Bédard:** We brought with us this morning just a mere drop in the bucket of the many documents, research papers and commissions over the last couple of decades that have called for the establishment of universal, accessible, quality child care, both provincially and nationally. These studies have made the arguments more than clear. We know why universal, accessible, affordable, quality and regulated child care is so important to our children and our families, our economy and indeed our society. It's essential for the following reasons: economic self-reliance, women's equality, lifelong health, crime prevention, work and family balance, a reduction of poverty, equity for children with special needs, entry to employment and training, school readiness, social cohesion,

support to families, healthy child development, effective parenting, competent citizenry, job creation and appreciation for diversity. We gave you a graphic that's on the back of our brief to illustrate that.

For each of these documents and studies that substantiate the legitimacy of the argument, child care is at the centre of a healthy society. We've got tons and tons of these. This document here in 10-point type lists every document that has made this argument. We just brought a few with us today.

But this leads me to an overwhelming question that I'd like to ask as part of our presentation this morning on behalf of the thousands of children in this province without access to this type of care: what part of child care do you not understand?

**1150**

**Ms Sperling:** At the coalition, our own research shows that our child care system, once the envy of every other province in Canada, is being systematically starved by this provincial government, and we say that's shameful. Some 70% of women with young children are in the paid labour force, and this government has responded by cutting child care funding by 15% over the past five years, and no, we do not consider a child care tax benefit as a child care space. It does not create child care spaces, as welcome as it actually is for many hard-working families.

We're conducting our own tour of the province and our own hearings around the province. Our municipal tour has already shown us how truly problematic downloading has been for child care. In Kingston, they've just announced they are probably going to close one of their two municipal child care centres.

In Welland, Ontario, a woman named Marnie McLean had the guts to stand up before the press and before the public and say, "I make \$500 every two weeks, and I have to spend 200 of those dollars on child care for my children. I qualify for a subsidy, and I am on a waiting list with 600 other families." She was assured at that meeting she would be fast-tracked. She hasn't been fast-tracked. She doesn't have child care, and she has now become another person on your social assistance rolls, because she has had to quit her job because she could not afford to keep it. The picture that's emerging about municipal downloading and the price that child care is paying for it is really starting to depress us.

It's all the more shameful when we look east to Quebec and west to British Columbia and now to Manitoba and see that universally accessible, quality, regulated child care is not actually a pipe dream. It's doable. It's within our grasp as long as the political will is there. In Ontario, we know there is the money to make this dream possible. There's a \$1-billion surplus. It's not like we all don't know that child care is an important issue. We've known it for a long time. We actually have the government's research and commissions to prove it to us also if we don't believe our own stuff. It all points to the same thing, which is that accessible, affordable child care is urgently needed. Here's a sampling.



**Ms Bédard:** In 1999, an audit by KPMG, commissioned by the Ontario government, stated that your workfare program could never work without a huge expansion of quality child care.

Also in 1999, in Dr Fraser Mustard's landmark study the Early Years, which the Premier has so proudly taken right across this country and right across the world touting its benefits, they stated that Ontario's approach to early child development should be universal in the sense that all programs should be available and accessible to all families who choose to take part. There should be equal opportunity for participation, and all children should have equal opportunity for optimal development. Targeted programs that reach only children at risk in the lowest socio-economic group will miss a very large number of children and families in need of support in the middle and upper socio-economic sectors of society.

**Ms Sperling:** In 2000, the government's own Education Improvement Commission stated that the government has "talked and studied enough" and had, as its first recommendation, that the provincial government strengthen its commitment to Ontario's children by ensuring their access to affordable, high-quality child care programs and excellent standards of nutrition, health care and safety.

Yet another recent report by no less venerable an institution than UNICEF, UNICEF's State of the World's Children 2001, gave three reasons to put child care on the agenda: (1) early childhood care is a human rights issue; (2) early childhood care is grounded in sound science and practical experience; and (3) early childhood care is a solid investment.

**Ms Bédard:** So again I ask, what is it that you don't get? What is stopping you from investing in our children?

In the UNICEF report, it says that because child care is a long-term investment with short-term political returns, that's why we're not seeing results: because you guys won't get the votes. I think that is really shameful.

**Ms Sperling:** Especially when we are reminded, as we so often are, that the province handed out \$4 billion in corporate tax cuts in last year's budget, all the while claiming that child care is too expensive to implement. That kind of makes us scratch our head and go, "Hello? Priorities?"

**Ms Bédard:** We've just been handed three quarters of a billion dollars by the federal government over the last five years to spend on early child development services, to spend on our children, and our Premier got on a plane immediately after that announcement and we haven't heard of this subject since.

We've sat in meeting after meeting that we've asked for with different officials from different ministries of this government, not one of whom has been able to tell us what the plans are, and this money is going to flow in less than two months. Yet our counterparts in every other province, every single province and territory of this country, have been consulted. They've been involved. They've had input into their plans. We have no idea what's going to happen in this province, which leads us to wonder, is there a plan? Do you guys know what's

going to happen to this money? And if you do, why is it so secret? Why are you doing it without any input from the community?

**Ms Sperling:** Again, we ask, what's the holdup? The money is actually there; the studies have been done. We stand on the threshold of a new millennium full of challenge and opportunity, and to meet the future head-on, we need you to live up to your commitment that every child should be valued and have the opportunities to develop his or her unique potential by doing the following.

**Ms Bédard:** Returning to your traditional leadership role and developing licensed quality child care by making substantial new investments in this sector.

**Ms Sperling:** Making substantial new investments in children to address the serious issue of child poverty.

**Ms Bédard:** To match the federal government's expenditure with your own new spending, dollar for dollar.

**Ms Sperling:** And to collaborate with the federal government and other provinces and territories to develop an action plan that enshrines national principles and entitlements suggested in the agreement for early childhood development.

**Ms Bédard:** Because we need child care now.

**Ms Sperling:** Thank you.

**The Chair:** We have approximately four minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. We've been down this road with this government before in terms of secret plans and no consultations. We've got major pieces of legislation now on the books; nobody had a chance to comment on them. It really begs the question: how much do they really care?

Again, I want to call the government on this issue of their saying they're the ones that care about families. I'm not sure what kind of family it is other than some kind of retro family of the 1950s that existed only on TV anyway and really was never a part of our society. It's certainly not even reflected on TV now—I mean, that's just not the real world. It's insulting. It's insulting to you, it's insulting to all of us, for the government to say they care about families and do absolutely nothing about children who need care; about the issue of more and more children in poverty in this wealthy country. It's absolutely disgraceful.

I have a question. You mentioned that all the other provinces have some type of process underway where the community is engaged in determining how this money is going to be spent. Right now, is it fair to say that Quebec probably has the most progressive child care legislation?

**Ms Bédard:** Yes, Quebec has actually implemented a model, since 1997 in fact, so they're four years in. They have a great model. BC has announced a model that they've started implementing with their school-aged children and it's going to be further implemented in January. They've been joined by Manitoba who have just announced that they're going to begin the process of looking into implementing child care, and we hear that Saskatchewan and Halifax are not far behind, and Nova Scotia.

**Ms Sperling:** And Manitoba's first step toward doing this was to put out a call to the community for input on how best to implement this.

**Mr Christopherson:** Are there any studies, or is anybody coming forward from anywhere in the political spectrum that you're aware of, to show that the plan that exists in Quebec—because it does cost money, comes out of the public coffers, is supported—has created some sort of economic drag that is counterproductive to creating and maintaining a competitive economy? Is anybody making that argument from anywhere, that you're aware of?

**Ms Bédard:** Not at all. In fact we have many studies to show the opposite, and that's why we talk about child care as an investment. The most recent study was done in 1998 and it's a Canadian study by economists so it's a very legitimate study, and it talked about for every dollar that you spend on quality child care, you get a \$2 return. This return has been met by parents being able to be more productive in the workforce, by lower costs for delinquency and programs like that when children grow up getting the resources that they need. So in fact this is absolutely a very sound investment, but it will take a few years to mature, as all good investments do. You put the money in now and you watch it grow. That's what we do with our children and that's what we can do with child care.

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**Mr O'Toole:** I'm sharing with Mrs Molinari. Just a couple of things. I thank you, first, for your presentation. It certainly will be and is being considered.

I would start with the consultation process. I believe in 1995-96 Janet Ecker consulted quite widely on the daycare issue and its methods of provision, and I think at a policy level probably the province recognizes much of what you said. Without trying to make it into a political statement, the Early Years Study and subsequent follow from that has affected and will affect the government's priorities; I think Ontario's Promise, which is the current five principles that the government has committed itself to, and you may see it manifest itself differently than perhaps you've outlined; the Healthy Babies initiative and initiatives like that recognize the importance of the early beginnings, if you will, and the supports that are needed. Ontario Works is one of the ways that we've provided supports. The \$40 million in that program providing daycare, child care, is an important initiative and also the redirecting of the federal transfers in a method to support low-income families, specifically where they are in the workplace in transition. The other program would be the LEAP program, Learning, Earning and Parenting, allowing young parents, specifically single parents, to attend training so that they can in the fullness of time reap the benefits of participating in society and their children as well. Perhaps Tina would have a specific remark or question.

**Ms Bédard:** Maybe I could just answer that before we go on or I'll lose the point. Janet Ecker did do a form of consultation back in 1995, but it was by invitation only. It was certainly not a public process, and people had a

very difficult time in getting invited. So I definitely wouldn't call it a public process. She did come out with a report that we lobbied very hard against, and in fact many of those things have not been implemented and we're very glad to see that.

The Early Years report, yes, it's a great report and, yes, you got a lot of mileage out of it. We have not actually seen it come to life in our communities. We've had a reannouncement of \$30 million twice. We're probably going to get another reannouncement of \$30 million in this budget. The whole process about setting up community co-ordinators is now in an order of council and that whole thing is now stalled because we no longer have a children's secretariat with its own minister. So I find it very difficult to say anything nice right now about the Early Years other than it's a good report but has done nothing for the children of Ontario.

Healthy Babies, Healthy Children: it's not child care. It is a good support, it is a support that families need, absolutely, but 70% of women are in the workforce and they need child care. The money that you put into workfare child care and the money you put into LEAP is not enough for people to get regulated child care, and that's what they need. That is where quality child care happens. It's in a regulated, quality environment with professionals, and that is not what people can afford to buy with welfare vouchers and with LEAP vouchers.

I'm sorry, where you're putting your money is not where you're going to get the bang for the buck. It's a quick, fast band-aid that may get you a vote today but will do nothing for the children of the future, and they're your future. They're the ones who are going to be looking after you. I'm sorry, it's not good enough.

**The Chair:** With that, we've run out of time. I'm sorry. If you want to make a quick—

**Ms Sperling:** I just want to make a quick comment about the early years challenge fund and also Ontario's Promise. That will not actually help people in many parts of this province where there are no big corporate sponsors to match money. It's happening; we're seeing that in rural areas and in small towns. There is nobody stepping up to take this challenge on to match any funds.

The other thing I just wanted to say was with the workfare money it's the first time that I know of that public tax dollars are going into unregulated care where we just don't know how safe it is, and we're waiting, holding our breath, praying that no child actually gets hurt while in that kind of care that there is no monitoring system for that our public tax dollars are paying for.

**Mr Monte Kwinter (York Centre):** I was interested in your remarks about the federal program, the \$800 million over five years. You say the funds are getting ready to be flowed in two months?

**Ms Bédard:** Yes. On April 1 we'll get the first instalment of \$114 million in Ontario.

**Mr Kwinter:** Is that conditional on the program being in place in Ontario?

**Ms Bédard:** Unfortunately not. We lobbied very hard for there to be some conditions on it, but it is not. It's flowing through the CHST and basically there are not a



whole lot of strings attached to it other than the political will of the provincial governments. That's why I worry in Ontario.

**Mr Phillips:** I think we had this discussion last year, if you were here.

**Ms Bédard:** I was here and so were you.

**Ms Sperling:** I wasn't here. This is new to me.

**Mr Phillips:** I did my best to get the numbers, but whenever a question is raised on child care, it's, "We're spending the most in the history of the world on it." We don't have the same numbers that we're debating.

**Ms Bédard:** That's right.

**Mr Phillips:** When you don't have the numbers to debate, then the debate is less meaningful.

On the climate in Ontario, you indicated that the actual annual child care expenditures dropped 15% since 1995. Can you help me at least in understanding the numbers, where that comes from in an apples-to-apples comparison?

**Ms Bédard:** The 15% that is stated in our brief comes from the money the provincial government spends on regulated child care spaces. The number they quote when claiming that they're spending more than any other government is the global child care budget, in which they've added many things, including \$200 million on the working child care supplement, which we don't consider child care. The money that actually goes to providing regulated child care spaces in Ontario decreased by 15% in 1998. So I'm sure that has decreased even further.

Just in general, speaking about, "We've increased the child care budget," you've been in government for six years. With inflation, I bloody well hope you've increased the budget, because costs have gone up, but you have not increased it in any way that's meaningful for the children of Ontario. If they are so proud of their figures, why are they not releasing them? Why don't they give us a breakdown of where they are spending the money so we can see? If you're hiding it, it means you have something to hide.

**Mr Phillips:** You have not been able to update those numbers since 1998, I gather.

**Ms Bédard:** No. It took us two years to get 1998 numbers; it will probably take us another two years to get 1999 numbers. But anything you can do would be great.

**The Chair:** On behalf of the committee, thank you very much for your presentation.

**Mr Phillips:** Mr Chair, maybe I could request from research staff to see if they can get us the numbers on child care expenditures by the province for the recent time.

**The Chair:** Certainly.

#### FARMERS OF ONTARIO COALITION

**The Chair:** Our next presenters are representatives from the Ontario Federation of Agriculture. Could you please step forward and state your names for the record. On behalf of the committee, I would like to welcome you this morning. You have 30 minutes for your presentation.

**Mr Jack Wilkinson:** Thank you very much for having us here. There are more of us here than the Ontario Federation of Agriculture. It was our time slot and I guess we did some calls, but everyone will introduce themselves as they go along. As you're aware, there are a number of coalitions in which the farm organizations try and work together and one of them clearly is the pre-budget presentation. So we'll all give very short introductions on one section of the brief and then move it to the next individual, and I'll allow them to introduce themselves.

#### 1210

If you want to turn to page 4 of your brief, it will show the order in which I'll follow through. We'd like to talk about farm income risk management and marketing structures, research and technology transfer, agriculture as a primary client of OMAFRA and then competitive issues as they affect the farm community. I'll be doing the first section of that and then passing it on.

I'm Jack Wilkinson, the president of the Ontario Federation of Agriculture. I should introduce myself.

As you know, there are many commodity organizations in Ontario, as well as two general farm organizations, and the points that are in this presentation are all agreed upon by everyone to try and simplify the message we're giving to government about those areas which we would like you to address in your capacity as a committee giving recommendations through the budget process.

Farm income right now in this province and across Canada is in a very serious state. Grains and oilseeds in particular, as well as horticulture, have had a very difficult last two or three years. Normally the grains market is a very cyclical market internationally. Our prices are based on the international prices, so for the last two or three years we've had declining prices in Ontario. As well, this year, as many of you know, the weather situation impacted very dramatically on many parts of Ontario. It affected quality dramatically and in some cases yield was affected quite dramatically also. So the combination of a very severe price depression and weather has made it a difficult time period.

Also in the last couple of years the United States, last year in particular, increased its subsidization to its producers, particularly in grains and oilseeds, by close to \$25 billion, on top of what they had currently been supporting their producers, and is anticipated to spend at least \$20 billion—that's the figure we're hearing—again this year. With an open border, that kind of support being dumped into one sector really keeps our prices depressed.

To get to the point here, we've been trying to convince the federal government and obviously the provincial government to increase its expenditures in the farm income support program design.

If we move to the chart at the top of page 6, to illustrate as an example, we think the federal government has to increase its support. We're talking of \$300 million in grains and oilseeds, and that would be cost-shared normally between the province and the federal government 60-

40. We see neighbouring jurisdictions like Quebec—and this particularly impacts on horticultural and other crops as well—where they support their producers dramatically more in their agricultural industry.

If we look at the non-supply management, the first line of that graph, we can see that Ontario agriculture is almost twice as large as Quebec in the non-supply management sector, yet when it comes to provincial spending on safety nets, they spend nearly twice as much in an industry that's half the size. So you can see very dramatically how the income programs that are offered in jurisdictions like Quebec, Alberta and in the United States are able to keep their producers in business during these downturns and still keep producing, not following the market signals.

Our individuals are really having to fight the treasuries of these other governments out of the income of their farms. Hence, we feel that we need an injection of capital in grains and oilseeds immediately, as well as looking at how we can improve program design in the medium to long term so we're moving more closely to what Quebec would be. Just to give a number, if we moved up to the level of support in the province of Quebec, we would be talking of a provincial expenditure increase of \$330 million. It is a huge number, and we know that, but that shows the difference in what our producers are having to deal with in the marketplace on a daily basis. With that, I would like to pass it over to Ken.

**Mr Ken Porteous:** My name is Ken Porteous. I'm chairman of the Ontario Agricultural Commodity Council, which is 24 non-supply management organizations.

A couple of years ago OMAFRA decided to downsize the department and turned to 13 centres of excellence to provide information to the agricultural industry and to keep the agricultural industry competitive. We established a group in conjunction with OMAFRA with 60 to 70 people from the agricultural industry and also the processing industry to develop a program that would keep Ontario competitive in this highly competitive industry that we have. We made the recommendation that \$100 million be put into OMAFRA over the next five years to develop new technologies and new transmission information centres to agriculture. We also recommended that \$24 million be contributed to universities for their enhancement of new technologies.

One of the things that has happened is that we find ourselves short of technical people who are world-class. OMAFRA, in its decision to downsize the 13 centres of excellence, also said to us that they would try to develop 13 centres of excellence with world-class people to deliver world-class programs to the agricultural industry. The problem we have is that competitive wage scales with industry and universities don't allow the hiring of this world-class expertise to transfer this information, which is limiting our ability to be competitive.

The objectives of this technology transfer and this investment in OMAFRA are listed on page 9. The benefits are: development of new products with functional qualities, biomass-based energy, pharmaceuticals, neutra-

ceuticals and plantogens at the farm level; development of new domestic and international markets for both farmers and processors; retention and attraction of leading scientists; creation of jobs and economic opportunities in the farming and rural communities; new technologies for sustaining natural resources, soil and water quality and improving pest management; and creation of jobs and opportunities in knowledge-based sectors of Ontario.

With the new development in food safety and environment and the pressure that farmers find themselves under, we feel it's necessary to have this infusion of money in order to keep us competitive again.

If there are any questions, I'd be happy to entertain them later. Thank you.

**Mr Bob Down:** Good afternoon, ladies and gentlemen. My name is Bob Down. I am first vice-president of the Agricultural Commodity Council and represent the Ontario Corn Producers' Association.

We appreciate very much this opportunity of coming here and presenting our case. I am doing the area of agriculture as the primary client of OMAFRA. We have presented the government with our concerns about this over the last several years too. However, we are continuing to have some serious concerns about the direction that OMAFRA is going. We feel the indication is that the switch in the funding for OMAFRA is swinging from primary agriculture to rural. When you take that into consideration, the actual funding for primary agriculture in Ontario has decreased dramatically, as you will see in some of the figures here.

We are asking that this government reaffirm its belief that the importance of agriculture in Ontario needs to have government support in the core area of financing with OMAFRA, which funds many of the activities that OMAFRA does and which they have had serious cuts on, which has limited their ability to do some of the other things we're talking about here today that Ken has talked about and that Ron will talk about. In the executive summary at the front, you will notice some paragraphs there that have outlined that. If you look on pages 13 and 14, which give you background to that, it points out some of our real concerns.

One of the directions that has happened is project funding. Of course, we have to apply as groups or coalitions, partners, to get that funding. Through that process, the OMAFRA system, the ministry does not have any particular funding to support those activities or others.

## 1220

The recommendations that we have listed at the end of page 13 and the top of 14 are: ensure that agriculture is the primary client of the Ministry of Agriculture, Food and Rural Affairs, and separate and specify the budget allocation to support the rural affairs component of the ministry; work to increase the operational budget of the Ministry of Agriculture, Food and Rural Affairs and increase allocations when additional responsibilities are assigned to the ministry, such as nutrient management



planning regulation, which we're into right now, and we are very concerned about that activity and the funding of it; ensure that the project-based funding initiatives produce at least the same value to farmers and taxpayers as funding for continuous programming; acknowledge the economic importance of agriculture in the province and the importance of the Minister of Agriculture, Food and Rural Affairs at the cabinet table; and ensure the Ministry of Agriculture, Food and Rural Affairs, as a separate entity, will be enhanced to support agriculture, Ontario's second-largest industry. The last point is to recognize the economic benefit and importance of agricultural organizations and institutions that contribute to the well-being of rural Ontario and the farm community through financial support, agricultural fairs, 4-H, Junior Farmers, etc.

Thank you very much for your time. I'll pass it on to Ron.

**Mr Ron Bonnett:** My name is Ron Bonnett, vice-president of the Ontario Federation of Agriculture.

I'd like to make a few general comments on competitiveness at first and then get into some of the specific recommendations. One point I'd like to make very clear right off the bat is that I think we have in Ontario some of the most efficient agricultural producers anywhere in the world. They have managed to actually create farm operations that in many cases are expanding in a business environment that sometimes isn't on an equal playing field with those of other countries. I think it's recognized now that most of our commodities are priced on a world market, so we definitely have to compete with world markets on pricing. That's reflected in the price that consumers pay in this province for the food they consume. They're getting basically a bargain, if you compare it to a large number of other jurisdictions in the world.

That being said, there are some issues with respect to competitiveness. It falls into a number of areas.

It could be with respect to input costs; what people are paying for fuel costs would be one good example. There is some concern over electricity costs with some of the restructuring that's taking place. We want the government to be aware that this could have a direct impact on how farm operations are proceeding.

There are still some issues around taxation. Other jurisdictions have different types of taxation with respect to retail sales tax. We are competing with those jurisdictions.

There's the whole issue of farm support. Jack mentioned earlier the chart showing the level of support that is provided in Quebec for their farmers. We compete directly with those farmers on our farms.

In a lot of cases, government policy both at the provincial level and the municipal level can have an impact on the profitability of farm operations. I think one of the things we want to make the government aware of is what the impact is down the road on some of those policy decisions.

To get to some of the specifics as to what we're asking for, the number one thing is retail sales tax. We are

competing with other areas that have less in the form of retail sales tax, and we'd be asking that it be removed from farm vehicles as well as from farm office equipment and farm communications costs. In Quebec, they have a system where if the equipment is used at least 50% in the farm operation, then it qualifies for a tax rebate. We believe that this one step alone would make quite a difference to the farm operations, in the neighbourhood of \$20 million to \$25 million.

The second thing is, we would ask the government to be careful in their consideration on the implementation of new regulations. I think one of the key ones would be the nutrient management farm operations standards that are coming down the tube. If there is regulatory change that requires capital investment on the part of farmers, there has to be a recognition that there may actually be a public contribution necessary to make things happen. That applies to other forms of legislation that will be coming down. We know there's some research taking place now on how to restructure the food safety acts as well.

The final point I would like to mention is the whole issue of deregulation. We have seen natural gas prices escalating. We'd like to encourage the government to keep monitoring those and, if possible, make sure that any increases are limited. The other thing that has raised quite a bit of concern in the papers recently is the deregulation in the electricity service industry. We are hopeful that the model being put forward by the provincial government will leave us with something that looks more like Pennsylvania than California. I think we have to be conscious as we go to this that any change in the delivery of electricity has to make sure that the prices to the farms stay at a level where we can compete.

I think I'd close off at that because I'd like to give people a chance to go back and forth with questions to any of us on any of the topic areas that we addressed.

**The Chair:** We have approximately three minutes per caucus, and I'll start with the government side.

**Mr Doug Galt (Northumberland):** I much appreciated your presentation. You didn't read it; you had what you wanted to say and you told us very clearly.

Jack, I'd like you to expand a little more for the committee on the grains and oilseeds and the target that they've taken in the States to subsidize, thereby creating cheap livestock products to compete on the world market. If you'd just expand a little bit on that, it would be helpful for the committee: why we're struggling with what we're struggling with.

**Mr Wilkinson:** Thank you very much for the opportunity to respond to that. The US has had a long-term policy, as you've indicated, where it has chosen to subsidize the grains and oilseeds markets very substantially. It then allows their producers in many ways to be keeping a very low international price, which means we have trouble making a living in other countries that are priced on the international market. If we do not get close to equal subsidization, we cut back our production and the US expands their market share internationally. That is part of the strategy which as well, as you indicate,

drives in lower meat prices and dairy to do the same thing.

They've been very aggressive around the world to grow their agriculture and their agri-food industry on processed products so that they keep the jobs in the United States, they keep their production in the United States, they feed their country cheap, drive us out of business on the international and then they choose to support their farmer with farm income support programs.

**Mr Galt:** I think it's something like \$20 billion they're—

**Mr Wilkinson:** That was the additional they put in last year. They were three to four times ahead of us in the grains and oilseeds before they added the further \$25 billion. That's where we get very frustrated. When that border is open—which is fair enough; we didn't lobby to keep it shut on grains and oilseeds so we don't complain about that, but when you see that additional support going into the United States, you see a surplus at the federal government level and, to be fair, on some provinces, we feel that it would be important then, if we're going to keep ourselves ahead of the pack, to come closer on the subsidy support side.

**Mr Galt:** Just a quick comment or question to Bob Down in connection with the two sections of the ministry. Certainly with the Premier's Task Force on Rural Economic Renewal, many of the provinces and an awful lot of the states, if not all, have two different administrations: one for small town, rural, whatever, and one for ag and food. You are alluding to this kind of thing, but you're not saying it outright. I know when the federation comes to see me in Cobourg, in Northumberland county, they're saying, "Everything goes to the small towns, goes to those cities," and the people in the town say, "Hey, we're not getting anything. That's the farmers' ministry." Do you have any comments on that?

**Mr Down:** I guess that's the thrust. We're not saying in particular that we want the ministry split. All we're saying is we would like to have the monies—the budgets, what's paid out—defined—

**Mr Galt:** Segregated.

**Mr Down:**—so that we can see and understand what is going where.

We have an old saying out in the country and it comes from my friends who are in the farm supply business, the equipment business, the grocery store, whatever, in small town Ontario, in Exeter, that, "So goes the farmers, so go we." It's not possible to say, "So goes rural Ontario, so go the farmers." It just doesn't work that way.

**The Chair:** And with that, Mr Galt, thank you very much. We have run out of time. The official opposition.

1230

**Mr Kwinter:** I want to pick up on what Mr Galt was talking about. I think there's a problem in the minds of politicians and of the general public. They don't realize Ontario is the largest agricultural province in Canada. As a result, there is a perception that agriculture is on the back burner and it's not really something we have to be worried about; Ontario is a manufacturing and technology centre.

It seems to me there are a couple of pressures, other than the perception, that you really have to deal with. I notice that in your projections you talk about non-supply management receipts. I know there certainly is a lot of pressure on Canada and Ontario, through the World Trade Organization, to get rid of supply management, and I would like to hear your comments on that.

The other thing I'd like to hear about is: with the advent of Walkerton and the whole problem with factory farms, the hearings are still going on, but eventually it would seem to me they're going to put some greater pressures on the farming community to deal with that issue, which is also going to create some problems in financing.

**Mr Wilkinson:** I would like to tackle the supply management question. We view that the supply management system has worked very well in Ontario and in Canada, even though it's under all sorts of pressure from provincial squabbling over market share and international pressure. We often hear complaints, maybe from the grocery people and restaurant industry associations, but even with supply management there, first of all it requires no government support other than through regulation, and with supply management we still have the lowest cost of food of any country in the entire world. So we think it is a mechanism that is able to pass its cost on to the consumer, which is the way most of us think it should be. You pay what it costs to produce, and we don't have to come and ask for government money.

We know there is a lot of pressure on supply management internationally, but I think they will find ways to solve that so that they meet the WTO standards. I've been involved in world trade stuff for some time as a past president of the Canadian Federation of Agriculture and an international vice-president, and it seems to me we are so close to the United States that it is just a big propaganda machine: "Everybody is moving in this direction. Supply management only has a couple more years to live and it's not going to be around any more."

If you go to Europe, I think you hear quite a different system, not that they have supply management like we do, but they say, "The borders are not going to open up any more, or substantially more, in this round of trade than in the last one. There are still going to be terrorists in the future. We are bigger than the United States. We got pushed around last time. We're not going to get pushed around this time." As long as they manage their system properly and keep consumer support, I think they'll find a way out of this, and supply management will be here for a fair number of years to come.

**Mr Down:** Could I just add something to that, Mr Kwinter. It's ironic that the US has numerous supply management systems, and they're not about to give them up either.

**Mr Christopherson:** Gentlemen, it's good to see you again. I'll raise a couple of things, and then you can respond, or not, to whatever part you choose.

One, I thought it was really interesting that you raised the comparison with Quebec and that it works out in such



an easy, visualized formula that they've got half the business—how would I say that?

**Mr Wilkinson:** Supply management production.

**Mr Christopherson:** Yes, half the production we do, but they get twice the assistance from their government. It's interesting, because the previous presenters were talking about the fact that the best child care system in Canada right now is in Quebec. It also happens that Quebec takes a very different approach to youth crime. They don't take the hardline approach—you know, boot camp, lock 'em up, throw away the key—and they have a lower recidivism rate than we do.

What's truly interesting for me, of course, is the fact that aside from their being separatists, their basic political philosophy is one of social democrats as opposed to liberalism or conservatism. I think it speaks volumes about the fact that you can still focus on the key industries in your economy, and agriculture is part of that, without jettisoning all the other things that matter in society. It's not Harris's way or the doorway. There are alternatives that will work; I just want to point that out.

Then I want to raise a question, or just pose something. The government likes to purport—especially Noble Villeneuve, who was the master at standing up in the House, and by the time he finished answering one of the lobbed-ball questions from the government backbenches, you'd swear that the only government that ever cared about agriculture in the history of Ontario was the Mike Harris government.

**Mr Galt:** Hear, hear.

**Mr Christopherson:** I said you would think so; I didn't say it was so. The zinger is that while this government seems to have been prepared to jettison every social issue, health issue and environmental protection out the window in the interest of its corporate agenda, you seem to have gotten left out. Everybody else has pretty much got what they asked for; at least they don't come in with the same reproach you do, pointing out the same discrepancies, the same concerns. I mean, philosophically there's been some closeness historically.

Believe me, I become more and more aware of this as the new city of Hamilton—a figure was noted recently in the local media that 68% of all the land now in the new city of Hamilton is actually zoned agricultural. It's a huge part of our new community, so I'm very interested in all this. But why, do you think, from a business perspective, given your relative or direct importance—it's not even relative; it's direct—you are being treated like the cousins nobody wants to deal with?

**Mr Porteous:** I'm not going to get involved in a political discussion here, but obviously—

**Mr Christopherson:** No, we wouldn't want that. We wouldn't want to turn this into a political process.

**Mr Porteous:** One and a half percent of the population of Canada is now involved in agriculture. One-half of one per cent produces 80% of the food. Obviously, we're a very efficient part of the economy of Canada and also of the economy of Ontario. I would venture to say that if the rest of the economy were as efficient as agri-

culture, we would probably have a higher standard of living than we have. We've done this, as has been explained, with extreme economic pressure from outside our boundaries. We've been able to stay in business to this point.

What we're asking is for the province to invest more money in agriculture to partner with us to go even further, to increase our competitiveness, to increase our standard of living, to resolve some of the problems we have in Ontario; for example, the situation around biomass and the production of ethanol fuels, which should be important to all of us, or is important to all of us. Think of the problem they have in Toronto in regard to garbage and the relationship to agriculture and the production of ethanol from biomass. Why can't that be coordinated and the situation resolved in the production of ethanol, which is important to the agriculture industry, by utilizing biomass and incorporating Toronto garbage with that to produce ethanol, which would reduce the pressures on all of us in Ontario? It would also alleviate environmental problems that we have in Ontario.

These are the kinds of things we're talking about investing \$100 million in over five years. It isn't just to agriculture but to the whole economic community of Ontario that we can provide a situation that will create jobs and reduce the impact on the environment. Biological control of pests, where we can reduce the use of pesticides and make us more competitive—these are the things we're talking about. These are the things we really want to impress you with that you can invest money in the agriculture industry that will be to the benefit of all Ontario and produce jobs and a better standard of living for all of us.

**The Chair:** Mr Wilkinson has the last word.

**Mr Wilkinson:** Just one brief comment. It seems that investment in agriculture has no political party affiliation. We named the province that spends its largest percent. Quebec is one, which, as you say, is somewhat social-democratic in some of its policies. The second is Alberta, which is a very strong right-wing government. I think the key element that is the same in both, though, is that they have viewed agriculture and the agri-food industry as growth industries, not as a sinkhole for money, and I'm not saying the provincial government—we've had a number of things that have occurred over the last number of years. Most of the RST list has been exempt. We have a few more things to clear off. There have been some changes that have helped and lowered our costs in agriculture in Ontario, but the problem we're bumping up against now is that is not enough when you've seen what has happened, in particular the new standards of subsidization by the US last year, where a lower tax regime is of little value with current grains and oilseeds price because we're not paying a lot of income tax, and I'm not being flippant about that. That benefit isn't as big now.

We now see that the automotive industry may become the second-largest industry in Ontario with the way things are going and agriculture may become the largest industry, and our point of view is we could be the largest

industry. We employ 600,000 now. Why don't we employ another 100,000? Instead of \$7 billion gross receipts, why not \$10 billion? Why don't we grow all sorts of things in an import displacement and process them here? We see it as a growth industry. That's part of why we want the investment. We want to be here. We want to be expanding and employing and growing.

**The Chair:** Gentlemen, on behalf of the committee, thank you very much for your presentation this morning.

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#### ONTARIO SEWER AND WATERMAIN CONSTRUCTION ASSOCIATION

**The Chair:** Our next presenters are representatives from the Ontario Sewer and Watermain Construction Association. Gentlemen, could you please state your names for the record.

**Mr Sam Morra:** Certainly. I'm Sam Morra. I'm the executive director, and I'm joined with Ted Cooper, who is our president.

**The Chair:** On behalf of the committee, welcome, and you have 30 minutes for your presentation this morning.

**Mr Morra:** Thank you for the opportunity to speak to you this morning, Chair Beaubien and the balance of the MPPs here today. It's good to see you again.

Basically, we'd like to give you an overview of what's ailing the water and sewage systems in Ontario, give you a little bit of an education as to some of the expertise that we may be able to bring to the table in regard to some of the numbers that we're looking at. Some of the numbers are mind-boggling. When you look at the total value of Ontario's water and sewage systems, we're talking about a \$60-billion asset, \$40 billion of which is buried underground and is never seen. Basically, you're looking at approximately 45,000 kilometres of water mains and another 44,000 kilometres of sewers. It's a huge, huge asset.

Water and sewage infrastructure has unfortunately been left to deteriorate, especially over the last 15 years. This has had a negative impact on the environment: we've seen more beach closings, we've seen rivers and lakes being polluted. But it's not an overnight problem and we're not here to point the finger at any particular level of government. In fact, it has been a generation of neglect.

The key issue is that the current systems are not sustainable. The current water rates typically only reflect operational costs, so many municipalities are not including the needed depreciation aspect of their assets and aren't putting enough monies away for future replacement needs. In fact, the monies and the expenditures that they report to the Ministry of Municipal Affairs and Housing are a mishmash of maintenance, renewal and replacement monies, but they also include replacement and new growth monies in their expenditure reporting. So you may look at the region of York, for example, that may be spending \$80 billion on their water and sewage

works, but fully three quarters of that comes from the development industry so that in fact when they should be spending more on their renewal and replacement costs, they are not.

Capital expenditures we've found have fluctuated greatly and it's been more based on the level of provincial and federal grants that are available. So if there have been provincial monies available in the past, you've seen municipalities go out and spend some money on water and sewage. The same thing at the federal level: if there was a federal infrastructure program in place, you'd see more money spent in our sector. That does not help our industry because it's a cyclic nature. We'd like a more balanced approach to looking after water and sewage infrastructure and we really think that at the end of the day there's legislation that needs to be put in place that we'll talk about a little later.

Unfortunately, municipalities have chosen to put off their water and sewage infrastructure needs and largely for political reasons, and this is the majority of them. As I mentioned earlier, three quarters of the asset is underground, out of sight. It's not a sexy issue. It's difficult to have a ribbon-cutting ceremony for a water or sewer pipe. Libraries and ice rinks have gotten a lot more attention in the past.

In terms of where we're at from an infrastructure deficit, and that would be the monies that are required to bring the infrastructure back to snuff, the Canadian Water and Waste Water Association pegs that number in Ontario at approximately \$32 billion. We think that's the high end of the range. It's the Rolls-Royce of upgrades and it also includes growth, which is paid for separately by developers. It also includes the complete separation of storm and sanitary sewers, which we think have more innovative technical solutions to them.

When we looked at their numbers and modified them based on the expertise we can bring to the table, the numbers we had were closer to \$12 billion. That's made up of \$1.5 billion in water main replacement and expansion needs, \$2.5 billion in water treatment plant upgrades, \$2.2 billion in sewer replacements and expansion, \$4.8 billion on combined sewer separation, and \$1.2 billion on sewage treatment plants. When you add it all up and divide it over 15 years, you're looking at about \$800 million that's required, \$500 million of which is for replacement and expansion and \$300 million for the treatment plants, whether they be water treatment plants or sewage treatment plants.

We wanted to talk to you a little bit about some of the problems that are coming to light. These are not new problems, but they aren't old problems either. As I said, over the last 15 years the issue is beginning to manifest itself into a potential hazard.

One of the problems is cast iron water mains. Cast iron water mains are found in a third to a half of all municipalities in Ontario. Unfortunately, what happens in a cast iron water main in many instances is that there's an encrustation that's built up in the inside of the water main, so your effective diameter basically shrinks. What



also happens is that the encrustation affects the ability of chlorine to properly fight off the bacteria that's currently in the system. That's why you saw in Walkerton that one of the orders from the ministry was that they had to replace 3.5 kilometres of their cast iron water mains. There was encrustation built up and they couldn't guarantee that all of the *E coli* had disappeared.

One of the other things that encrustation does that is just as dangerous, if not more so, is reduce the flow that's available, especially during an incident such as a fire-fighting episode. We've already had examples of that where lives have been lost because firefighters have been fighting fires and then unexpectedly get a reduced level of flow because of a piece of the encrustation breaking off and jamming up their pumps.

One of the other problems that we're currently experiencing is the leaking of water mains. Estimates point to 20% of all of the water that's produced in Ontario being lost through leakage. That represents lost revenues of approximately \$150 million a year. Many times you find with the leaking water mains that where we spent the money to actually treat the water, it then goes into a leaking sewer that accepts infiltration and actually goes back to a plant to get treated again, even though it hasn't been used. That's a double whammy that we're looking at from an efficiency standpoint.

On the storm sewer side, I'm not sure if we're all aware here of what a combined sewer is, but just a 30-second lesson it. Basically, in the 1950s and 1960s when they designed subdivisions, they allowed for only one sewer pipe down the middle of the road. This caught not only the sanitary effluent but also the storm sewer runoff. Nowadays, you have two separate pipes. Storm sewers go into rivers and lakes, and the sanitary sewers go into treatment plants. But in the older parts of many municipalities right across the province, the combined sewers take the brunt of the storm flows during peak storm periods. Unfortunately, what that results in is an overflow situation for this underdesigned single pipe. What invariably happens is that you have either basement floodings into people's homes or you have what are called combined sewer overflows, and that goes into rivers and lakes. That leads to beach closings and detrimental effects on our fish and habitat.

#### 1250

We need to look after the combined sewer overflow problems right across the province, but we don't need to separate every sewer. There are innovative solutions to this. The city of Toronto is constructing a western beaches sewage tunnel which will alleviate a lot of their problems at probably a quarter to a third of what it would cost to completely separate the sewers.

If you look at revenue versus cost in Ontario, basically we're collecting about \$1.6 billion in revenue overall from a water and sewage perspective. Our operating expenditures in sustaining capital estimates are closer to \$2.1 billion. That means we are about \$500 million short on a yearly basis.

When you look at the average water rates across the province, you'd be looking at approximately a 30%

increase, with some municipalities somewhat more and others somewhat less. What we found is that most of the regional municipalities with the larger population bases have their systems on a full-cost recovery, but a lot of the smaller outlying municipalities do not. As a result, although the average would be a 30% increase, you may find that water rates would have to double in effect to properly maintain their systems. If you phase this in over five years, the results of the increases could be as low as \$2 to \$4 a month on a yearly basis. Really, that only represents a bottle or two of Evian, of bottled water, which should not be insurmountable.

One of the other things we did, and this was even before Walkerton, was to do a public opinion poll and get some results to some questions that we wanted to know. We were a little surprised by the public opinion poll in terms of who is responsible for ensuring the distribution of safe, clean drinking water in Ontario. We thought it would surely come out that the municipal level would be seen to be more responsible, but in fact the provincial government and the municipal government were seen by the public to be equally responsible.

In addition to that, we asked them—because we get a lot of feedback from concerned politicians that we can't afford any more increases, and in particular tax increases. What we found is that people do not want to see increases in taxes. In fact, they welcome the decreases in taxes that have occurred. But when it comes to the provision of clean water and safe sewage, 90% of people said they would support a mandated, regulated establishment of a special fund that would only be used to pay for water and sewage maintenance or related emergencies. So what we're seeing here is that when the fund is dedicated to a specific purpose, such as clean water, there is a very high acceptance rate among Ontarians. In fact, when they were asked whether they would pay more, 77% were either somewhat or very willing to pay more, and 86% fell in the bracket that would pay \$2 a month more to make sure their sewage was properly treated and their drinking water was safe.

We have left the responsibility of water management recently in the hands of municipalities, and we know that providing grant money in the long term is only a band-aid approach. It is not the ultimate solution. What we really need is mandatory requirements for municipalities to treat their water and sewage systems like a utility. They need to put in place things like separate water and sewage service rates. We can't see moneys being taken off the property tax base to pay for water and sewage. It just doesn't make any sense.

Once you establish those separate sewer and water rates, you also need to establish separate, dedicated reserve accounts which can't be touched or raided to pay for other needs within the municipality. You need to have those dedicated reserve accounts, and what needs to go in those dedicated reserve accounts is a sustainable level of revenues that is based on not only the operational needs of the municipality but also on their future capital replacement needs. Therefore, we need to move to full-cost pricing to get to that type of situation.

In terms of mitigation strategies that could be done by the government to help soften the impact on consumers, there are a number of tools. Full-cost pricing is the ultimate answer to the problem. So a phased-in period of five years or even more would eventually get municipalities to the position where they become fully self-sustainable and the problem would be looked after once and for all. That is the real attraction to full-cost pricing.

Once you get there—and some municipalities have gotten there. Our chairman used to be the mayor of Petrolia. He could tell us about his experiences there. We find that those gentlemen and ladies who have been at the municipal level typically have more appreciation for the problem and are very much in favour of full-cost pricing. So what we need in addition to the full-cost pricing—because you can't do it overnight; municipalities have been used to 80% or 90% subsidies through grants—is a transitional assistance program. Over the five to eight years that you're going to implement the full-cost pricing, you need to make monies available so that you could have infrastructure improvements, cost mitigation, perhaps even provide some financial advisory services for the municipalities.

Currently, we were pleased to see that the OSTAR program was expanded to include water and sewage initiatives and in fact made a priority at the rate of approximately \$120 million a year. Now, if you look at the \$500-million shortfall that we're currently experiencing on a yearly basis and you divvy that up in terms of responsibility to all three levels of government, federal, provincial and municipal, you get closer to approximately \$160 million a year that would be the responsibility of the province. This would only mean a top-up of about \$40 million on a yearly basis.

Some of the other things that could be done that have been done in the United States, for example, are revolving loan funds. This is where a pool of money is made available to municipalities to borrow from. They're not grant monies but they have low interest rates. As they're paid back, other municipalities can then dip into that revolving loan fund.

There might be the opportunity to provide municipal bonds that are available on a tax-free basis with regard to the interest that's earned on those municipal bonds.

In addition to that, you may have some consulting expertise that could be offered in terms of their financial restructuring or any negotiations with private sector operators, for example, if they come into the picture.

It's very important that we help municipalities at least get to the state where they know the condition of their existing infrastructure. That's one big hole that we currently have in Ontario. I was pleased to see that, from SuperBuild's perspective, they have a study out on doing a condition assessment for water and sewage infrastructure here in the province. For the structures that are aboveground, the water treatment plants, the sewage treatment plants, we have a pretty good handle on how old they are, what kind of shape they are in. But for the pipes that are underground, we have very poor records in

general in regard to the composition of the pipe, the condition of the pipe, the age of the pipe, sometimes even the diameter, the level of incrustation. Those sorts of things really need to be developed, and we hope the province helps out in terms of getting to that stage, at least where a municipality knows the extent of their problem.

To reiterate, what we are respectfully recommending, in addition to the \$40-million top-up on a yearly basis through OSTAR, are changes to the Municipal Act. Those changes need to be done by legislation. We need to mandate the use of water meters, we need to have sewer and water rates that are separate from the property tax base, we need dedicated reserve accounts that are unable to be raided and we need sustainable pricing for water and sewage services.

### 1300

We need to do this over a transitional type of period, and we need to be flexible in those local circumstances where municipalities find it very difficult to cope with the specific situations that they're in. We might also respectfully recommend that we have a clean-water guardian that may oversee municipalities and ensure that they are performing the proper things that are necessary to make their systems sustainable, whether it be from a pricing standpoint, whether it be from a condition-assessment standpoint or whether it be from a regular-capital-program standpoint.

Basically, those are my comments. Ted, did you have anything you wanted to add? I covered off most of the information I know.

**Mr Ted Cooper:** Yes, most definitely covered, Sam. There's one comment I would make. I come to the industry from the supply side of the industry. I think it's very important for you to know that by far the high majority of the products that are used in water and sewer infrastructure are manufactured here in the province and Canada, certainly. But most of it that we use in Ontario is manufactured right here in Ontario.

**The Chair:** Thank you very much. We have approximately six minutes per caucus. I'll start with the official opposition.

**Mr Kwinter:** You're certainly in an industry that has a very high profile as a result of what happened in Walkerton. I have some questions about your proposals. You're right in your presentation when you say that local politicians usually like to do things that people can see. If you take a substantial chunk of their budget and bury it in the ground, it's probably the right thing to do but it isn't very politically attractive, because it's very hard to convince people that they should be doing it. I don't know how you get around that.

You've talked about various things that I'd like to really get into, but I really don't have the time. For example, what are your projections as to the privatization of either sewage treatment plants or even privatizing the actual maintenance and supply of new piping? Is that something your association is dealing with?

**Mr Morra:** We haven't done any formal projections on what we think might happen from a privatization



standpoint. Our official position is that we neither support nor deny the ability of the private sector to properly operate systems. We are not in competition with the private sector from an operational standpoint, but we see no reason why municipalities cannot themselves adopt a more businesslike approach to water and sewage as a utility and run the systems themselves. The key is to ensure that they've put the fundamental business principles in place and have a municipality that is mandated through legislation to ensure that those principles are in place and are kept up on a regular basis.

Where privatization will occur is a very difficult thing to predict. There are so many different variations, whether it's just operations, whether it's ownership and operation, whether it's the design-build that leads to some ownership and operation. There are so many permutations and combinations of what people refer to as privatization or public-private partnerships. It's a difficult question to answer, Monte.

**The Chair:** Mr Kwinter, I have to apologize. I think I did say you had six minutes, but we have a total of six minutes, so we have two minutes per caucus.

**Mr Kwinter:** Then I want to go to something else.

**The Chair:** Very quickly.

**Mr Kwinter:** Very quickly. Sorry about that. I was thinking I had six minutes.

**The Chair:** It's my fault.

**Mr Kwinter:** OK. No problem. In the Angus Reid poll that you had commissioned, you talked about the people's willingness to pay more money and ranking the priority of clean water. I'm old enough to have seen a situation where in Ontario no one even thought about their water. They turned the tap on, they got water, they drank it because they felt that was it; that's what you're supposed to get. Ten years ago, people said, "We're going to sell bottled water," and people said, "Are you out of your mind? Who in the world would buy bottled water when all you have to do is turn on your tap and get it?" The bottled water industry is huge now. Compounding all of that, of course, is Walkerton, where people are saying, "I don't really care if you put a new pipe in, I'm not going to drink the water."

Have you noticed that in your association? Have you noticed what the impact of that is on your projections?

**Mr Morra:** We haven't done any exhaustive analysis on the level of confidence within the public in regard to their water quality. We've obviously seen an increase in the sales of bottled water. We think that lack of confidence that is currently embracing the Ontario public could be overcome with definite legislation and programs that show you are taking steps to solve the problems. I think it wouldn't be that hard to get to the position where people feel comfortable again about drinking their water; I certainly do. I know a lot of people who continue to drink the water, in the newer municipalities anyway, and I don't think we should lose sight of that. It makes a lot more sense to put more money into an existing asset that is going to serve us and our future generations, as opposed to going off and buying bottled water.

**Mr Christopherson:** Thank you for your presentation. As a former municipal councillor, I hear you; I know where you're at. Although obviously you have a vested interest in wanting more to be built and refurbished, because that's what your organization represents, companies that do that, nonetheless your point is one that not enough people are listening to. Certainly representing an older city like Hamilton and having dealt with flooded basements—that's how you can make this a number one political priority overnight: have a few hundred homes flooded not with sewer water but the sanitary water, if you've got the old combined. Let me tell you, it suddenly gets a whole lot of attention, and then it disappears, of course, until the next time you get a storm. I wanted to say that.

I wanted to raise a couple of points, and if you can respond to them, that would be great. I wondered, do you have comparisons to other jurisdictions that we compete with? One of the things we've been arguing, some of us, certainly in the NDP, is that the social infrastructure is important, and that has been let go, in terms of health care, education, social services, environmental protection. All of these kinds of things are your social infrastructure. This is the economic infrastructure as well as the quality-of-life infrastructure. We need this part of our world to work, or you can't have business, you can't have industry, you can't have retail, it doesn't matter what it is, and you can't have a quality of life if you don't have decent water management control, both in terms of intake and dealing with it afterwards. Walkerton has helped put that on the map, but we need the bucks. Do you have comparators or an idea of where we stand vis-à-vis other provinces and other trading partners, particularly the United States? I know they've embarked on a massive infrastructure program. Do you have other information about how we stand relative to even European competitors that we deal with on a regular basis?

You had said there was 20% leakage. Do you have the figure—20% of what? How much water are we losing to leakage? As water is being more and more identified as the oil of the 21st century, 20% leakage seems to me to be totally inefficient and something that needs to be dealt with on a priority basis.

You said that more innovations are being done, rather than necessarily having to go to the separation of the combined sanitary and storm sewers, and I know again that's what we ran into in Hamilton: huge dollars to separate the two. One of the things we did was to use the overflow tanks, and at that time they were pilot projects, they were experimental. Is that part of what you meant too, or are there other aspects of technological innovations that can mitigate the expense of taking these unified pipes and separating them into two complete, different systems?

**Mr Morra:** In terms of how we rate against other provinces and jurisdictions, in Ontario we have a lot of built-up areas which are serviced by water and sewage infrastructure. That is not necessarily the case in the more sparsely populated provinces. I know that in Quebec they

have similar problems. They have older municipalities that require upgrading. In Montreal, they still had some of their sewage going into the St Lawrence Seaway in its raw state; Halifax harbour—they're just getting around to cleaning it up now; in Vancouver, they're still pumping their raw sewage out into the ocean. But we still have combined sewer overflows here in Ontario, which is really sad when you think that we're in the 21st century. We should not be in a position where we are dumping our raw sewage into our rivers and lakes. We should have overcome that by now.

**1310**

When it comes to the US, they've put in specific accounting systems that they legislated that their local states and municipalities have to follow. That's basically what we're recommending here: that you put in place the dedicated reserve accounts, the full-cost pricing; you look at depreciation as a real cost that has to be accounted for at the municipal level, and you put that into legislation.

When it comes to the European model, they have much older systems than we do and they let them slide. If you look at the British model, they were looking at some 200-year-old water and sewage infrastructure that they had let pricing slide on, and there was no way they wanted to take the political fallout for having to increase rates 500% or 600% to deal with their huge problem, so they privatized. But we're not in that situation. We still believe we have the ability to mandate these types of provisions, provide some transitional assistance and allow municipalities to continue to operate and own their own systems. That is still doable in Ontario. In our systems, 70 to 90 years old, we can still tackle the problem.

In regard to the combined sewer overflows, you're right on the money in terms of the tanks. That is one of the things you can do, other than separating every metre of sewer.

Another innovative solution was a sewage tunnel. That's being built, as I mentioned earlier, right along the western beaches here on Lake Ontario. Basically what that does is it intercepts all of the sewers that would normally overflow into the lake, drops them down into huge chambers, which are basically manholes 100 feet in diameter by about 150 feet deep. There are three of them that they're constructing right across the waterfront. That contains the sewage during that critical period, which is the storm.

**Mr Christopherson:** Like the overflow tank.

**Mr Morra:** That's right. So as Mr Christopherson mentioned, once the storm's over you only see the effects of the flooded basements. This would hold all that sewage and then regulate the flow back to the main sewage treatment plant, which is then able to handle the treatment of the sewage.

**Mr O'Toole:** Thank you very much, Sam and Ted. I appreciate your technical buildup to it. As David has mentioned, I was on regional council and it sort of got lost in the works, for all the reasons you've explained.

Walkerton says to me that we've finally learned that water isn't free. Basically, if I was to summarize it, it isn't. I used to tell my children—I grew up on a farm and there was a well and a septic, and we had little symbols for when to flush and when not to flush. To everyone today the water is free; the tap's running—it's not free. In fact, I guess I support, not in a punitive sense, what you're saying, that full-cost recovery is absolutely mandatory. I see that Toronto is actually considering that, or at least increasing their fee, which is realistic. I see that in most regions. The region of Durham was in the paper, I believe yesterday, in that they're looking at it. It's more or less a full-cost recovery system in a relatively new area. As part of the transitional issues in Toronto, because of the age of the city and the absolute costs of dealing with huge infrastructure improvements, I suspect there may be some need to look at that in terms of capital and some way of mitigating it, as you call it.

I don't have anything more to say specifically, except that the whole debate around OSTAR—clearly, the money there is dealing with some of the depreciation you've mentioned in infrastructure and will probably consume most of it, actually. I suspect SuperBuild will be a significant part of that, to deal with environmental issues, of which water and treatment systems are extremely important.

Your report is very detailed. Specifically, the way of financing—the bond issue and that are good ways, without legislating and regulating municipalities and how they finance these. You tie the capital up for them but they've got a repayment plan, so it's not like it's going to leak away. That's the problem. Right now, if I look at my tax bill, these fees are really the most appropriate things. I've always argued that tax bills should be itemized—so much for police, so much for a cup of water—so that the taxpayer actually knows how they can interact with the potential savings. Right now they have no idea, when they look at the \$2,500 tax bill. Garbage fees should be direct-cost recoverable: if it's a lot of money to get rid of it and it's a lot of money to collect it, they should be paying for it. It's the same with the water. So I like what you're saying.

I also believe, in the public interest, your polling number is important, to know that the public hold us in some overarching way somewhat responsible for the environment and our water and air and the rest—and that's appropriate. Then there's the whole issue you mentioned about whether or not the \$60 billion of infrastructure should be somehow—I believe it should be managed in the public sector. I think there's more accountability, if you will, and no profit motive and that's possibly something I would support in the public interest of safety. So looking at a response from that might be on the Super-Build: what's the next right move to do in trying to get the feds, the province and the municipalities to work together?

**Mr Morra:** We've had good discussions with Super-Build and we're encouraged to see that the studies that are coming out of them were very similar to the



recommendations we had made in regard to getting a feel for where we are with our current infrastructure needs here in Ontario, because that's where you need to start. The feds have put some money forward in regard to their \$350 million, \$400 million a year across the country. We'll get our share of that and I think the goal is to mix that in with the OSTAR monies and make that available to municipalities to get us back up to snuff.

We need a little more than that to get us there, but the real key, long-term, is to start putting in play these Municipal Act amendments. We have in fact developed those amendments that would satisfy these types of needs that we put together with our price impact study and our public opinion poll, and we'll be coming forward for your support in the very near future. We're hoping that all three parties would be supportive of that type of initiative.

**The Chair:** With that, gentlemen, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

Before we recess, I have one announcement to make: for the members coming to Thunder Bay tonight, the bus will be leaving in front of Queen's Park at 5:30 sharp this afternoon, so be there.

Thank you. We're recessed until 2 o'clock.

*The committee recessed from 1318 to 1403.*

#### GLAXOSMITHKLINE

**The Chair:** Good afternoon, everyone. We'll bring the meeting back to order. Our first presenters this afternoon are representatives from GlaxoSmithKline. I see you're already at the table, so could you please state your names for the record.

**Mr Stephen Dibert:** My name is Stephen Dibert.

**Mr Ryan Clarke:** Ryan Clarke.

**The Chair:** On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Dibert:** We're here today representing our president and CEO, Paul Luca, who unfortunately couldn't be here today. Both Ryan and myself are senior managers in our public affairs and government relations department at GlaxoSmithKline.

I'm going to begin my presentation by telling you a little bit about GlaxoSmithKline. Last December, Glaxo Wellcome and SmithKline Beecham merged to form GlaxoSmithKline. GlaxoSmithKline, or GSK, is now one of the world's largest and leading pharmaceutical companies, and the largest innovative pharmaceutical company based in Ontario. We have a \$250-million headquarters just north of the 401. Beside that, we have a \$120-million manufacturing and technical operations centre where we produce more than a hundred products. Several of those products have worldwide mandates; that is, they're shipped around the world.

GSK invests more than \$100 million in research and development in Canada. We employ approximately 1,800 people, with 1,200 of those in Ontario. In addition, GSK

is one of the top 10 corporate charitable donors in Canada, with approximately \$4 million annually donated.

Our main therapeutic areas, by the way, are respiratory disease, central nervous system, anti-infectives and gastrointestinal.

We wanted to use our time today not to talk about drugs or ODB or market access or listings. Instead, we want to focus on asthma, specifically why asthma is a problem in Ontario, what GSK has done in an attempt to address the problem of asthma in Ontario and what we think the government could do to improve the treatment and management of asthma in Ontario.

Asthma is a relatively common chronic disease and the prevalence of asthma is increasing around the world, including in Canada and Ontario. It is probably safe to say that either some individuals in this room or individuals within the families of the people in this room know asthma quite well. About 12% of children and 7% of adults have asthma. That means we're approaching about one million people in Ontario with asthma—a significant disease.

Half the asthmatics in Ontario will have had to visit an emergency room, have had to be hospitalized or have had to seek urgent care in the past 12 months. Asthma is the leading cause of ER visits and hospitalizations in children, the number one reason children miss school. In 1996 there were more than 190 deaths in Ontario from asthma. Asthma deaths can be prevented.

In 1990, which is the last data we have available, the total cost for asthma in Canada was more than half a billion dollars, and in that half a billion dollars, more than half of those costs were directly related to physician visits, emergency room visits, hospitalizations, nursing services and drugs.

There is no known cure for asthma, but we know that asthma can be managed. It can be controlled by educating asthmatics and their families, avoiding those triggers of asthma attacks, using the medicines properly and monitoring their asthma conditions.

One of the major issues we have with asthma is that we've found in our research that 90% of asthmatics or their physicians feel that their asthma is under control, when in fact, upon further probing, 60% of those individuals are out of control; they do not have control of their asthma. Poor control leads to unnecessary burdens, both individually, personally, as well as to the health system. Of the asthmatics we surveyed, only 6% had attended an education clinic in the last year. Only 11% of asthmatics actually have a written plan that tells them what to do in case they have an asthma flare-up. This is likely because asthma is a chronic condition and individuals have just gotten used to living with asthma. They become accustomed to their breathing problems and they misjudge the severity of their condition.

GlaxoSmithKline is, has been and will be a leader in asthma care. We've partnered with health systems across the country and care providers to build programs to improve treatment and management in asthma. One such program is the community asthma care centres.

A community asthma care centre is an asthma education clinic which educates patients on how their asthma can be managed and how they can control their asthma. The CACCs also provide continuing education for physicians and can create outreach programs into the community, into schools or into workplaces or into places where people can get their help.

These centres are public-private partnerships initiated by GlaxoSmithKline with hospitals or other health care organizations. There are more than 50 of these centres across the country, 16 of them currently in Ontario. We'll be establishing new centres in 2001 as well as in 2002.

GlaxoSmithKline will invest \$20 million over the next three years in Ontario to improve the awareness, education, treatment and management of asthma.

1410

This is done through various campaigns—patient campaigns, physician campaigns, those clinics. One campaign is that 30-second asthma test you have in front of you, a quick test developed in conjunction with the Asthma Society of Canada, which will allow people to determine whether or not their asthma is out of control and whether they need to seek help by a physician.

In addition, another innovative project we're involved in looks at asthma hot spots in Ontario. By studying at the community level across the province the levels of emergency room visits, hospital admissions and separations, you can tell where asthma's a problem. Once we identify these hot spots for asthma, we then can implement programs such as the CACC and its outreach programs to address the asthma problems in those areas. This is working in conjunction with some of our partners, this one being the Firestone Institute for Respiratory Health in Hamilton.

With our CACCs we evaluated what kind of impact they were having. We conducted a national evaluation where we followed approximately 1,000 adults and 1,000 children. We found remarkable outcomes relative to their asthma conditions and the health care resources which were utilized.

We found a 70% decrease in emergency visits, a 50% decrease in hospital admissions, a 45% decrease in physician visits, a 70% decrease in children's school days lost, a 65% decrease in asthma symptoms, as well as other quality-of-life measures. These are significant results through education programs.

With these approximately 2,000 individuals, those decreases in utilization translate into about \$500 per person potential savings just in the first six months following the education program they went through. So these things work. If you did the math, it's 500 people, \$500; 2,000 people, that's \$1 million which could be avoided in service utilization.

In Ontario, in the 2000-01 budget, there was \$4 million allocated toward an asthma strategy in Ontario. The government of Ontario is developing an action plan, or a broader asthma strategy, looking at improving surveillance, promotion and prevention and the clinical management of asthma in Ontario. Actually, our vice-president

of research and development at GlaxoSmithKline represents the pharmaceutical industry on that committee, so we give input to that committee.

This is a good start, but we don't think it's nearly enough to be sufficient to mount a comprehensive campaign where we could make a significant difference in the outcomes in asthma. So we would suggest that the budget be doubled for 2001-02 from \$4 million to \$8 million, and then doubled again the following year—relatively small amounts of money in the budget scheme of things.

What we found through our experience and our evaluation, and what the province's strategy should include in their asthma action plans, are intentions to implement the treatment guidelines for asthma. There is a series of consensus guideline developed by the Canadian Thoracic Society, which gives stepped care plans for the treatment of asthma.

The strategy should also include asthma education. We have our education centres, but there are also asthma education clinics across the province where asthma care is improved.

Public awareness of asthma: asthma is out of control, and it can be controlled.

We should also look at including in the province's strategy protocols for managing asthma when individuals show up in emergency rooms, as well as a referral program that doesn't just let people go to the emergency room, be treated and then go home. It's a referral program where the individuals are referred to asthma experts, asthma educators, where they can learn how to best care for themselves.

An important step, we realized as we moved on with our programs, is the importance of monitoring—monitoring to ensure that you're successful, to ensure that you are delivering the results you predicted and that you can adjust levels of investment.

The first step, we feel, is for increased government investment in the treatment and management of asthma in Ontario. We came here today to ask you to increase your support for this worthwhile disease management program to realize long-term savings in the health care system and to improve the system's health outcomes and the quality of life relative to asthma.

That's the formal presentation.

**The Chair:** We have approximately three minutes per caucus and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you very much for the presentation. I certainly have to say it's a different approach than I was expecting when I saw it on the agenda and I want to commend you on the efforts.

I was going to raise two points, if I have time. I'll just load them up to you and you can comment on them as you choose. You talked about control, a disease that can be managed—we're about eight to 10 pages in. You note in one bullet point that it can be controlled by educating people, avoiding triggers, the proper use of medicine and monitoring. One thing that wasn't spoken of here, unless I missed it elsewhere, was the whole issue of prevention. I wonder what you have to say about prevention and how



much of the work being done is geared toward identifying measures that can be taken that would prevent asthma.

That's my segue into the second point, which is two pages after the one I have just referred to, where you state in the last bullet point that you'll work to determine asthma hot spots in Ontario. As much as I don't always like to face the brutal truth sometimes, the reality is that Hamilton is one of those spots we have as an area that you can identify, and it's there for reasons we all know.

First of all, has Hamilton or have other cities already been identified and are you working to identify others? I guess what I'm asking is, what exactly are you doing once you've identified one? Of course, I'm being parochial here, talking about my own community, but I'm assuming that Hamilton would be one of them. What is it that Hamilton, then, would derive in terms of benefits after you've done all of these studies?

You can see why I'm linking that to the first question about prevention and how much of what you're doing will build the case for other measures that we need to take, because these things are clearly after the fact, where people already have the disease. Ultimately we'd like to be at a point where they aren't getting the disease.

**Mr Dibert:** Right. I'll deal with the second one first. There is one centre in Hamilton now. It's at the St Joseph's Community Health Centre. One of the areas for expanding the program for this year, which is again in Hamilton, is trying to look at a unique partnership with one of your major employers, to put an asthma centre in an actual workplace so that the employees can get access to information about how to manage and treat their asthma. Relative to the hot spots, yes, Hamilton is one of those spots where the asthma problems are very high.

Relative to the first question, which addresses the prevention of asthma, there are things which can be done to prevent asthma. Probably the primary one is not smoking. Children who live in households where their parents or others smoke have higher rates of asthma. It's as simple as that.

It's difficult to erase all those triggers of asthma. It's triggered by allergies, pollen, sometimes air quality. It's triggered by pets, carpets, dust mites. So prevention is certainly an issue and should be addressed.

Our company's primary concern was the treatment and management because of the nature of the business we're in. But there are things to do. I believe the medical officer of health for Ontario published a plan to look at the prevention of asthma, but the fact of the matter is that people do smoke and there are allergies and asthma is going to happen.

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**Mr Christopherson:** But there are other environmental intrusions. I'd like to point out that that's one of the disappointing things about losing the Occupational Disease Panel, which the government killed in its Bill 99. It was a world-renowned organization that had scientists, academics and health professionals who had no connection with politics or government bureaucracy what-

soever; it was arm's-length. Their sole purpose was to identify whether there were linkages between diseases that workers—and now we're noting too, their families—were coming down with, and exposure to substances in the workplace. That's now gone and they've replaced it with some namby-pamby BS that doesn't do anything near what the ODP did. But that's a whole other issue.

But there's a key component of this at some point. I recognize you are limited in terms of your involvement, and that's perfectly understandable. Again, thank you. I'd certainly be pleased to lend our support to such an initiative, if for no other reason than I'm taking care of hometown. Keep up the good work; it's appreciated.

**The Chair:** Mr Galt.

**Mr Galt:** My question won't be namby-pamby. Thanks very much for your presentation; I did appreciate it. I have a daughter with asthma, so we've sort of lived with it for some 25 years.

I want to direct my question to an article that was in the Toronto Star about two weeks ago. I'm trying to remember the details, but it went along the line that in the neighbourhood of 25% of hospital admissions for asthma were in September, and the major peak was in the third week. It may even have been 25% in that third week. That's kind of understandable in Ontario, but they went on to prove that all the triggers you might think of in terms of starting up the furnace and back to school sort of got shot when you looked at other countries like New Zealand and Australia, and the Northwest Territories. They all had similar spikes in the third week of September. I was curious what your thoughts were, if you had read that article or from what I've told you. Do you have any thoughts why this spike should come in the third week in September?

**Mr Dibert:** I'm aware of the research and the work that went into that article. It was followed up at a presentation at the Ontario Lung Association's better breathing conference about three weeks ago, where a researcher from the Firestone Institute for Respiratory Health from Hamilton, who is our partner in identifying these hot spots, went on to explain his research, which tracked for the last three, maybe five, years health system resource utilization, primarily hospital separations, to try to identify where the problems were geographically, as well as where the problems were at the time of the year. The spike in the third week is across the country. I believe some of the other countries, though, had different timing in their spikes.

**Mr Galt:** The spike wasn't as high, as I understood, as maybe here.

**Mr Dibert:** When he was asked the question—the researcher is an epidemiologist by the name of Neil Johnson, out of Hamilton—what would explain that, he related the same causes you spoke of: school coming back into play and kids remixing and sharing each other's pathogens, the issue of the furnace, the weather, the allergies. But that's the type of research we use and support to try to identify those hot spots.

You see where you can go with this. If you take that research and identify a geographic area with the highest

peak in September, you go in there in the summertime and do a program where you invest in physician education about the treatment guidelines and how to implement those guidelines, patient management programs through education centres and work with the schools—if you fund that program over the course of the summer and early fall, as soon as those children are back in school, and then monitor what happens with that peak, you will see that by managing that disease in those ways, that peak will be a lot less for those periods of time. That's the type of work that we support and that we do.

**The Chair:** Mr Galt, we've run out of time. Mr Kwinter.

**Mr Kwinter:** Thank you very much for your presentation. I want to congratulate GlaxoSmithKline on the work they've been doing, not only in the asthma field but in others. I have an attachment to that company, because I was the minister who was responsible for getting them to locate in Mississauga. My only concern is that I just got used to calling them Glaxo Wellcome and now they're GlaxoSmithKline.

**Mr Dibert:** So did I.

**Mr Kwinter:** One of the questions I want to ask you is this: There's no question that asthma, both in the adult and child population, has a huge impact on productivity in the workforce and in the schools. I commend you for your proposal, but is Glaxo or other companies doing anything to get at the root cure, as opposed to eliminating some of the triggers, actually getting to a cure for asthma? What are the prospects of that happening?

**Mr Dibert:** We, as a company and as an industry, as well as with our partners in the universities and biotech organizations, are constantly doing research. The nature of the industry, with the nature of patents and products, is that patents expire and you need to replenish the product pipeline all the time. So research has been there all the time. A cure for asthma has not yet been found. Research is going on.

As I mentioned earlier, just our corporation will be spending \$100 million in Canada on research and development. The industry will be spending \$1 billion, or approaching \$1 billion, in Canada on research and development just to do those things you're talking about, trying to find those cures and better treatments for asthma. I might mention that one of our competitors, Merck Frosst, has a pill which is used for the treatment of asthma, and that was discovered and developed in the Montreal research facility. We don't have one yet. We're looking for the answers to cures for asthma.

**The Chair:** We've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

#### ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

**The Chair:** The next presenters are representatives from the Ontario Confederation of University Faculty Associations. Could you please come forward and state your names for the record. On behalf of the committee,

welcome, and you have 30 minutes for your presentation this afternoon.

**Dr Henry Jacek:** Good afternoon, Mr Chair and members of the committee. Thank you for having us here. I am Dr Henry Jacek, the president of OCUFA. Joining me today are Henry Mandelbaum, the executive director; Mark Rosenfeld, our director of government relations; and David Scott, OCUFA's researcher.

I'm also a professor of political science at McMaster University, and I was delighted to see that leaving this table was Ryan Clarke, one of my prized former students. That was an unexpected and pleasant surprise. I was just able to greet him briefly, but that was something I haven't been able to do for some time.

The Ontario Confederation of University Faculty Associations represents over 11,000 professors and academic librarians in Ontario's universities, and we're pleased to be here today. Our brief has been circulated for your reference. We make four specific recommendations, and I will speak briefly to each one in turn.

Our first recommendation, and our main recommendation, is that we increase the base provincial support for Ontario's public universities by \$500 million over the next four years. This investment is required to meet the needs of future enrolment, to expand the research capacity of Ontario universities and to improve the quality of the educational experience in Ontario universities.

One of the most critical challenges facing Ontario universities is the need to hire 15,000 faculty and academic librarians over the next decade. The need to hire so many faculty and academic librarians is driven by at least three factors: we have a surging enrolment demand of over 40% over this period, we will have unprecedented faculty retirements, and we have right now a very high student/faculty ratio. It's our desire to see this at least be returned to the Canadian average. We are currently the worst in the country.

I think all members are aware that there are changes in population demographics, participation rates in university education and the secondary school changes, which will result in an increased demand for university education probably of the order of 90,000 students by the end of this decade. Further, the demand for universities is projected to grow by 25% over the next four years alone. This means that the capacity of the Ontario university system must expand by the equivalent of one new McMaster University each year for the next four years.

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The age of our faculty population is another aspect of this challenge. A large wave of retirements is coming. One third of our current faculty members are between the ages of 55 and 64. Unfortunately, too many of them look like me—grey hair—and will be walking out the door very soon. Another way of putting it is that a majority of our university faculty are 50 years of age or older.

The student-faculty ratio in Ontario universities is the highest in the country. Over the past 10 years, the student-faculty ratio has increased by 25%. This increase marks a very clear and measurable decline in the quality



of education that we can provide to our students. It is a matter of good public policy to reduce this ratio and improve the quality of university education through smaller classes and more faculty-student interaction.

The other side of the faculty shortage crisis is the supply of faculty. There will be, unfortunately, no made-in-Ontario solution for this challenge, because we know that the domestic supply of PhD candidates will probably fill only about one third of the positions we need to fill. That means we have to get the remaining 10,000 or so positions filled in an internationally competitive market. This is at a time when PhD graduates and current faculty are being sought out by public and private university and other sector employers. Competition is coming from universities in other provinces—primarily in western Canada in the Canadian case—and countries. Both the United States and Britain are experiencing faculty shortages. In the case of the US, better-funded universities, higher salaries and enriched research programs have proven highly attractive. The result is that there is currently a larger percentage of faculty leaving Ontario universities for the United States than there are American academics accepting positions in Ontario, and this percentage is growing. So at the very time we need to retain our faculty and bring in faculty from outside the province, the reverse is happening; we're having a drain of faculty outwards because of our inability to compete with those universities.

Quite simply, the competitive challenge for Ontario is that better-funded US public universities, with 50% more revenue per student than Ontario universities, can provide better salaries, better research facilities, better equipment and better resources for their faculty.

What would be achieved through this increased investment that we're asking for? First, enrolment demand would be accommodated. Universities would be able to plan and respond to the increased demand of the next decade through hiring the new faculty and academic librarian, through setting up the new programs we need for a competitive society and for new resources for students. The government of Ontario's promise of a space for every willing and qualified student would be achievable. That is a goal that OCUFA strongly supports, but it has to be made realizable.

Second, the ability of universities to hire full-time faculty would ensure that the teaching and research capabilities of our universities would not be diminished. We have excellent universities currently in the province of Ontario. These universities, though, are drawing on the legacy of the years of support that came from the Frost, Roberts and Davis governments. We are now drawing down that legacy, and the question will be, what will be the legacy of our current government for the quality of our universities in the next two or three decades?

Third, the quality of university education would improve as the student-faculty ratio was lowered to be in line with the average of the other provinces. Smaller classes and greater interaction between faculty and students would be achieved. We don't think it's too much

to ask that Ontario, the richest province in Canada, should be at least the average in terms of the quality of education that it offers in terms of class size.

The recommendation to increase base funding by \$500 million needs to be placed in a context to demonstrate that it is a reasonable and practical investment for the government to make. We want to emphasize that we have to distinguish between necessary investments—and that's what we believe this \$500 million is—versus discretionary spending. I hope the government and the Treasurer of the province will be able to make that distinction in a careful and proper way.

In 1992-93, Ontario universities received slightly more than \$2 billion in provincial operating grants. In the current fiscal year, Ontario universities will receive \$1.7 billion. That doesn't even include inflation. We know, for example, and it's one thing that has not been discussed very much, that over the last 12 months Ontario's inflation has increased by 3.6%, causing further erosion to the dollars that Ontario universities have to provide a quality education. Even aside from the inflation, which is now a serious problem for Ontario universities, we are still trying to make up for ground lost to the cost-cutting exercises of the 1990s: the 24% reduction in government operating grants that has occurred through a period of enrolment growth. A \$500-million increase to the base would move annual operating grants up to \$2.2 billion, only \$200 million more than they were in 1992-93.

OCUFA is now putting forth the argument that public policy should be made solely on the basis of these benchmarks. The case for investment is based on accessibility—that is, the opportunity for our students to go to university—affordability—can our students and their families afford to go to university?—and quality, of which the faculty-student ratio is one very important indicator. The case for investment depends on those three things.

The utility of looking at comparative funding is to place the needed investment in an important context. The conclusion that we cannot escape is that the very jurisdictions that Ontario universities must compete against want to hire faculty from us and in competition with us and that they are better funded. The faculty shortage crisis is a critical public policy issue that the government of Ontario dares not dismiss, especially in light of its funding responsibilities for higher education and the social and economic importance of our universities.

It needs to be clearly recognized that the universities, as the major purveyors of knowledge in this province, are the engines of economic growth, and if this province is to grow, it must nurture its universities, not starve them for resources.

Our second recommendation stems from the fact that access, or opportunity for post-secondary education, is linked to Ontario's economic performance. Therefore, OCUFA calls for an immediate freeze on tuition fees.

We are troubled by the relentless increases in student tuition fees and the increasing share of university operating budgets that must be paid for by students and

their families. The Progressive Conservative Party's policy document for education, *New Directions II*, in 1992 stated, "Tuition fees should be allowed to rise over a four-year period to 25% of operating costs of universities." Yet in the most recent electoral platform, *Blueprint*, the PC Party proclaims that in fact tuition fees were brought "to the reasonable and affordable 35% level." Currently, for this academic year, tuition fees account for over 37% of university budgets, while the provincial support barely holds above 50%.

Given the unfortunate inverse relationship between tuition fees and access to post-secondary education, the government has now placed our universities in a very difficult position where we must choose between educational quality and access and opportunity. Not only is this poor public policy, but it is contrary to the Premier's own belief that, "The requirements of the knowledge-based economy will make access an even greater necessity for our province."

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We need to give our students, our potential students, our young people, opportunity for education and to basically develop themselves to the highest degree so as to benefit not only themselves but our province.

Our third recommendation is to shift government policy to deal more effectively with rising university education costs and student debt load. Therefore, we call for a reform of the student assistance program to include the following types of items: first of all, we need grants for students in need to help reduce their debt load, which we think is far too high; we need to target assistance for students with dependants or special needs; we need to expand work-study opportunities for students so they can earn money while they learn in university; and finally, we must expand programs to help students who after their studies find it difficult because of the nature of their jobs and their salaries to repay the large student debts they incurred while they were in university.

Unfortunately, rising tuition fees are only the tip of the iceberg when it comes to barriers to access and opportunity. Indeed, one of the compounding effects of the government's policy on tuition is the ever-increasing student debt load. While the government claims that its increased funding for student assistance has ensured continued accessibility and opportunity, the unfortunate overall reality is that in the last academic year the average debt load for a graduating student was in the neighbourhood of \$25,000. Instead of tackling the issue head on, the government has chosen to focus exclusively on student loan default rates as the sole measure of student assistance success. We believe that a broader measure of students and their ability to go to university must be focused on and certainly measures that are up front while the students are in school and how they pay for their education, not whether they can pay back their loans after they've long since left university.

Our final and fourth recommendation concerns the research policies of the government. OCUFA urges the government to act on the recommendations that have

now been made in two government-commissioned reports to adopt and support a comprehensive research policy. Instead of supporting research through block operating grants, as in the past, the Ontario government today has moved toward a model premised on public and private sector collaboration. In May 1997, the R&D challenge fund was created. Yet, instead of providing broad-based research support, the fund primarily focuses on support for research-intensive universities which conduct applied research in the natural sciences, engineering and the health sciences. Disciplines and universities not geared to the production of applied, immediately commercially viable research have had difficulty accessing this fund.

In a climate of limited resources, universities are tempted to divert support away from less lucrative basic research as well as social science and humanities research in order to leverage money from the maxed fund. I must point out that the money doesn't cover even the grants for these hot areas and does not cover the costs of the students in those programs, so money is sucked away from the social sciences and the humanities and the other areas. In fact, we're supporting things like software engineering and other types of things. The result is that resources are going there and there is a subsidy coming from the faculties that are doing most of the teaching in our universities.

This kind of research policy, we believe, is extremely short-sighted. Not only does innovation draw on the full range of sciences, humanities and social sciences, but Ontario's current research approach puts the province at a disadvantage in comparison with Canadian counterparts. The lack of our coherent research policy has placed the province behind Quebec, Alberta and BC in attracting federal grant awards. So the research policy is actually costing us federal money. In that sense, it's dysfunctional.

You've heard our four recommendations. We believe the challenge facing Ontario universities is unprecedented, yet there is an opportunity for public policy to ensure that the shared goals of university education are achieved. Enrolment demand would be accommodated by our recommendations. The ability of universities to hire full-time, qualified, high-quality faculty would ensure a high quality of teaching and research. The quality of university education would improve through the lowering of the student-faculty ratio. Access to universities would not be constrained and our research capacity would improve.

The government of Ontario, we believe, must act this year, in this year's budget, to preserve and enhance public university education in this province.

That is the conclusion of my remarks. I would like to thank the members for their time and attention, and I welcome any questions or comments any of you may have.

**The Vice-Chair (Mr Doug Galt):** Thank you very much for your thoughtful presentation. We'll start with the government side. We have about three minutes per caucus. Ms Molinari first.



**Mrs Molinari:** I'll begin, and I know my colleague John O'Toole would also like to make some comments.

I want to thank you for coming and making this presentation today. You were here last year as well and we've had several opportunities to dialogue with you, along with Minister Dianne Cunningham, about some of the concerns you've raised here today. The retirement of a number of professors is going to need to be addressed within the next little while, to deal with the students who will be coming in, and the dialogue that is going to continue to take place between the ministry and yourselves is helpful.

You've raised a number of issues here that are things we need to look at as a government. It's a difficult job trying to balance all of the requests that come forth from presenters and trying to split that pie when it's only so big and the number of dollars that are there in all of the areas. Your plan calls for an injection of large amounts of funds to be invested. I hope we can work on some dialogue to address some of the concerns and also with the realities that presently exist within the economy as it is. As a government, students and post-secondary education are very important for all our futures. I hope we can continue that dialogue with you.

I hope I've left some time for John O'Toole, who has a question to ask.

**Mr O'Toole:** I follow the reports and the issues in the press more academically as well. I have five children and two are still in university, or at least undergraduates. I applaud you for the three points: access, affordability and quality. Your report does expand on solutions to that, but I just want to ask a couple of questions.

First of all, I'm looking at the version of the private university discussion. Two of my nephews are both doing PhDs, one at UCLA and one, I think, at the University of Georgia. One is from Mac. He got his masters in biotech or something like that and he's on a full scholarship, making money at a private university. I don't get it. They can do that and they're private, and we're public and we're not doing it. We're way behind. That's two of them. The other is in computer animation and he did his undergraduate degree at Mac as well.

My question is, what is outside the box? We've got the Ivey business school, \$25,000 tuition, advertising on television. Queen's is doing it now. These are kind of outside-the-box approaches to the issue of where the money is. Then there's the whole issue of e-education for certain undergraduate programs. I know there's a social aspect to university. Can you respond to that? These are not in the report, but they're important components of the solution. The same old ain't going to work.

**Dr Jacek:** I think there's a very different tradition in the United States to university education than there is in Ontario. Many years ago, many private institutions were set up in the United States. They had their investments in companies that went on to make a great deal of money and they have very large endowments. We essentially went a different route in which our private universities over time became incorporated into a public system. In

Ontario, we cannot simply in any way replicate the American private university system because it's based in many cases on hundreds of years of portfolio investment that has been compounded over time. The cost would be incredible.

I doubt that private universities are going to set up in such a way that our young people coming out of high school want to go with them. Our young people want universities with walls. It's very clear. I know myself, I tell my students, "You can call me or e-mail me any time," but what they simply say is, "Can I come in and see you?" Unless they are sitting right next to me, they feel they're not getting their money's worth. These are the same students who will play video games or all types of computer games, but when they want to talk to a professor, they want to see that professor and they want to interact with him. That's why I think actually these private on-line universities are really overstated. There has been a report coming out lately in the United States that the cost of on-line education is much higher than the universities expected and that demand for it is much less. The result is that they're not making the money they thought they were going to make. That report came out within the last week.

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This has surprised me. I think we tend to overestimate the cheapness of technology. People who want to use technology tend to underestimate cost and overestimate revenue, and I think the report that came out from the United States is like that.

I think you said those were nephews of yours. I hope we can bring them back to Ontario.

**Mr O'Toole:** So do I.

**Dr Jacek:** The only way we'll be able to bring them back is to offer them a competitive salary and, if they're scientists, we have to be able to set up laboratories that they feel comfortable working in. That's what I hope.

**The Vice-Chair:** We'll have to move on. We can't run over our time. The official opposition.

**Mr Phillips:** I'll try and get two questions in at once. I carry around this little document of why you should invest in Ontario produced by the Ontario government. It's what they tell business, why they should come here, and, with all due respect, all their programs head in the opposite direction. It talks about our exceptional workforce here in Ontario; that Ontario workers are well educated and well trained; that 60% have attained university or college, a big advantage over the US; a high-quality education system. They have a chart here of educational attainment, well above the US. I think on another page here they talk about—oh, this is on tuition fees, which is a big selling point. They point out how much lower basic tuition fees are in Canada than in the US: "Ontario tuition fees for law, medicine, computer science and electrical engineering are also much lower than American fees."

Of course, all of that is changing now. My old business school, a \$25,000 one—I would not have gone to that school if that's the way the fee structure had been in 1958.

My two questions are these. The government frankly has been able to get away with it. They've dramatically reduced support for universities and have dramatically taken tuition fees up. As you point out, the percentage paid by students is dramatically higher now than it was. But they've been able to get away with it in spite of all the things they said about, "The future economy depends on our knowledge-based economy and investment." That's my first question, how they get away with it.

My second question is, you point out a clear, obvious, looming crisis, and that is recruitment of staff over the next few years. Can you tell us what in your opinion is being done right now, and are you aware of a government program that is going to tackle that issue in a significant way?

**Dr Jacek:** The first—I've just gone blank.

**Mr Phillips:** They've gotten away with it.

**Dr Jacek:** Why that has happened? As one of my colleagues at Queen's University said, if the student-faculty ratio gets worse year over year, nobody dies from it. You just have a larger classroom. You have the students sitting on the steps of the classroom. It's not like an emergency room where somebody dies if you don't have the emergency room properly funded. So essentially it doesn't have an immediate consequence. What it does is have a consequence on economic growth and quality of life five, 10, 20, 30 years down the road. That is why it's so important for us to deal with this problem in a reasonable way, looking to the future. As I said earlier, we're drawing on the legacy of previous governments but we're running down that legacy because the quality of universities is dependent on past decisions, not on something that happens today or that happened in the immediate past.

I can imagine it's tempting for the government of the day that's looking for money. They'll say, "We'll cut the universities," as they did drastically in 1996, and the public doesn't notice. They don't realize that 24% cut and what it did to the quality at the time.

The second question about hiring faculty: the universities are trying to do their best in different ways. The board of governors of Carleton University, which is in a deficit position, said, "Rather than paying back the deficit, as important as that is, we have to hire faculty, one a week, because our faculty base is eroding so quickly." So universities are desperately trying to hire faculty.

They are doing things like deferring maintenance. We have a huge deferred maintenance bill. You look at the leaking roof in a building and you say, "Do we fix the leaking roof or do we try to go out and hire a young faculty member?" The result is that we're ignoring the maintenance and our buildings are really falling apart. But how long can you do that? It's pay me now or pay me later and it's really false economy.

Even under these situations, we're not hiring enough faculty and can't continue to sustain this to replace those who are leaving.

**The Vice-Chair:** We'll have to move on to the third party.

**Mr Christopherson:** On behalf of Marie and myself, I welcome a fellow Hamiltonian. Henry, it's good to have you here, and everyone else in the delegation.

This scenario is one of those that just perplexes the hell out of me. There are some things the government has said no to since they've taken power that, as much as we might disagree, you at least know where they're coming from. You understand the why of it. This one, like a few others today, escapes me.

One of the questions I want to leave with you, if you have time to answer it at the end—you touched on privatization, Henry. Is there any concern within your organization that the long-term goal is to eventually see private universities overtake, to use the term the majority market share, of post-secondary education, where clearly now it's with public universities? I just leave that with you to comment on.

What I want to draw to your attention, and it may be helpful to you, is that one of the first presentations this morning was from the senior vice-president and chief economist of the TD Bank Financial Group, Mr Don Drummond. He presented 17 pages of slides, charts, things they consider to be of key importance for us as we go through our deliberations. Two of those presentations both deal with the issue of funding of higher education. One of them speaks to the declining Canadian government support for higher education, it speaks to the dollars and the 24% cut in constant dollars, and also the declining relative budgetary importance of post-secondary education, and again they show the chart where, although it has come back a bit in the last few years, we're still well down from where we were in the past.

If you need somebody to point to, to say there's a business case being made, there are copies of these from the clerk. It should resonate with the government members that the business case is not being made solely by you as a convenience; the business case is being made by bankers as being an important part of the equation of growing the economy.

One of your main focuses was the whole replacement of faculty. Just to look at the worst-case scenario, so we understand what the world looks like if we don't do anything: in five years, 10 years, if we don't begin to recruit the quality professors and other staff that we need in the universities, what happens? Obviously, if the people aren't there to hire, you've got a number of choices: you either have fewer students or you're hiring less qualified people, but that's just my view from the sidewalk. What's your sense of that?

**Dr Jacek:** I think you will see two things fairly quickly. If we don't pick up the hiring of faculty, with more money, we're going to have potential students who are going to get rejection letters. They're going to get letters from the university saying, "There is no room for you. You're qualified but there is no space in Ontario universities, so you'll have to do something else; either not go to university or go to university outside the province or outside the country."

Then eventually the universities will run down further, because it's the full-time faculty who go out and get



external money, from the federal government, from private foundations, from outside the country. The huge amounts of money that support our universities come from faculty members going and getting money from foundations, from the federal government. That money not only supports their research but they use that money to hire the students, to support graduate students and undergraduates. The result is, if those full-time faculty are not there, or in reduced numbers, they don't generate the income for the universities and there's a further slide downwards. That's how the quality of a university erodes. It doesn't have the full-time people who are going out and getting the money to contribute to the operating budget. This is a vicious cycle in which you just start going downhill faster and faster until suddenly you're left with third- and fourth-rate universities, with few numbers, decrepit and without much money.

**The Vice-Chair:** We've ended up that each party got a good extra minute there. We appreciate your enthusiasm and your presentation here today.

**Dr Jacek:** Thank you very much. I would say you are going to hear something pretty close along these lines when you hear the Council of Ontario Universities in about an hour or so.

1500

#### RETAIL COUNCIL OF CANADA

**The Vice-Chair:** We now call the Retail Council of Canada as the next delegation, Peter Woolford. Welcome. When you get set up there and start, just give us your name for recording purposes.

**Mr Peter Woolford:** Thank you very much, Mr Chairman. It's a pleasure to be back with the committee members again. I think this is my 12th year appearing before the committee, and it's always an enjoyable opportunity to come back and—

**Mr Christopherson:** Is it?

**Mr Woolford:** Yes, it is, sir. I enjoy this. It's a chance to kind of step back and review what has happened in the year and look forward and talk with some people who are very knowledgeable about what's happening in the province.

**Mr Christopherson:** He has a meeting after this one.

**Mr Woolford:** No, no. Say it isn't so.

As always, I'd like to start with a quick review of last year, and our members' forecast for this year. I know that's very helpful to committee members as they start to consider budgetary matters for the next fiscal year.

I'm delighted to say that 2000 was another good year for the retail trade. Reports out of StatsCan and from our members suggest real growth in sales last year was between 2% and 3%. That is down somewhat from 1999, but we must remember that 2000 was building on a very strong previous year, which itself was building on a strong year before. So we're looking at purely incremental growth at this point, and we feel it was a pretty good year for the retail trade.

Our members said that Christmas was a good season for them. We did a survey of independent retailers just after Christmas. While the numbers were quite scattered, the average was between 3% and 4% growth over the Christmas season of the previous year.

Looking forward to 2001, our members are equally optimistic—a bit of a surprise for us. With the bad news that was starting to come out of the States in the last quarter of 2000 and with some of the concerns that were being expressed with respect to the Canadian economy, we thought they would be a little more cautious about 2001. In fact they forecast their sales this year will go up between, let's say, 2% to 3% again. So our members are relatively positive going forward into this year. Certainly the very early returns in 2001 suggest that January was a pretty good month for them.

For our formal pre-budget presentation this year, I've taken a slightly different perspective from doing a traditional submission. What I've tried to do in this little presentation I'm going to run through is give the members of the committee a bit of a sense of the role that retailing plays in relation to individuals, communities and the economy of the province.

More than anything, retailing is a people business. Retailers are in the business of providing individuals with the goods and some services they need to live their daily lives. Roughly half of all the dollars you and I spend are spent in retail operations. These are the merchants who provide the kinds of things we fill our houses, our cupboards and, yes, our garages with. So it's very much a business that relates to the ordinary human being. The citizen, the voter and the consumer are all one and the same person.

The second key piece I would draw to your attention here is that retailing is relatively more important to low-income Canadians, and low-income Canadians are relatively more important to retail. Why is that? Well, there are a lot of lower- and middle-income Canadians, and they're the people who spend the great bulk of money in our members' stores. Equally, retail is important because lower-income Canadians, as you can see from the chart, are people who spend relatively more of their income on consumption in retail stores. So this is an industry that connects very directly to the ordinary man and woman in the street.

What do retailers sell? As I said, they carry the merchandise we need for the necessities and little pleasures of everyday life: clothing, sporting goods, cars, food, health and personal care—the full range of products that any of us buys over the course of a day.

I guess that's the other piece that we're trying to get members to understand, that this is an industry that deals with ordinary people in their daily lives every day. We buy something in the store—well, men don't. Most of the people here probably don't go in a store here every day—shame on you—but certainly most Canadians and all women go in a store pretty well every day. That means that they come in contact with this industry on an ongoing and regular basis. Men go in on December 24 and right before Easter and February 14.

*Interjection.*

**Mr Woolford:** Yes, you were all in a store yesterday.

Now let's look at who sells what. Traditionally, the retail trade was broken into some well-defined categories. We have found that under the pressure of competition, foreign competition coming into Canada, new technology, restructuring of the industry, those traditional specializations are blurring and we're seeing that retailers are competing with each other in sectors they would not have been in in recent years. We have also seen, of course, the emergence of large general-purpose retailers, the so-called big boxes, which have been very successful in setting new standards of competition and productivity and competitiveness.

Well, where is retail, then, if we've got these stores? Again, as I said, retailing follows people. It's a people business. In fact, you'll find retailers in every village, town, city, suburb of Canada. I would suggest that you don't have a town until you have a store. So this is an industry that is very connected to the daily lives of citizens. On the other side for you as economic policy-makers, this is an industry that provides jobs, income, investment and opportunities right across the face of the province. Unlike just about any other industry, we are an economic factor in every single place that Canadians live in the province.

This next slide usually gets a better reaction in provinces outside Ontario than it does here. What it compares is employment between retail and manufacturing, and you find that in this case Ontario is something of an anomaly. In Ontario, manufacturing actually accounts for more jobs than retailing. Through most of the rest of Canada, retailing accounts for the same amount or more jobs than manufacturing. The other key point here is that retailing is remarkably consistent: between 6% and 7% of all jobs in every province are accounted for by retailers.

Retailing is, above all, a small business activity. When you look at this chart, you can see the overwhelming majority of retailers are small businesses. The large beige-coloured portion of the pie labelled "Indeterminant" represents partnerships in family-owned businesses, which in almost all cases are small businesses themselves as well. So you can see that when we get into larger companies with, let's say, more than 200 employees, there are so few that they show up in this chart as 0%.

Not only are independent stores important in terms of the number that they represent in your community, they're also important in terms of the dollar value of sales. Something people have often assumed is that there are lots of small retailers but they don't count for much in the market. As this chart shows, that's not really the case. In a number of the subsectors, you can see that independent merchants make a significant portion of the sales in their sector.

I mentioned earlier that this is a very competitive business. One of the consequences of that is that retailing is a business where it's hard to make a profit. A lot of people think retailing's easy: "I bring some stuff in. I pay

less for it, I sell it for more and I get to keep the rest." In fact, under the pressure of competition, the data from StatsCan show that roughly a third of all retail businesses are losing money at any given point in time. This is not a business in which you succeed easily, nor do you get rich easily. The other side—I don't have these data here, but StatsCan data also show that roughly a fifth to a quarter of all retail businesses at any time have negative equity in their business. So it's a very challenging and precarious business, serving the needs of consumers.

I put this slide in because of the role of retailing in terms of encouraging the rest of the industrial economy to adopt new technology, and particularly computer and telecommunications technology. Our largest members are very sophisticated users of modern technology and are forever pushing the edge of the envelope. But something that really does concern us is that we've got almost a quarter of our members who have no computers and almost a fifth who have no intention ever to buy one. In this day and age, as I'm sure committee members can understand, that's a real concern. The point here is that not only are these firms going to be less competitive in the marketplace, but they have an effect on their suppliers. If the retailer is not following modern business practices and is not productive and efficient and effective in dealing with his or her supply-chain partners, they don't have that incentive to upgrade their operations either. We see that as being important both for our industry and for the industries that support it.

**1510**

I'd like to talk a bit about employment. These are the numbers for all of Canada, and then by province. As you can see, over 650,000 people in this province earned their living in retail in 1999, and since then the number has gone up. I'm going to talk about job opportunities in a minute, but I should mention that last year retailing alone accounted for a quarter of all the new jobs created in Canada. Canada created about 320,000 jobs last year; retail accounted for 83,000 of those. I think that's the largest single contribution of an industry. So we had tremendous growth in employment. These are all new jobs, incremental, and we're very proud of that kind of dramatic growth in the industry.

The other side of job creation is also what we call job opportunity. This chart shows the percentage of people in the industry who have been working in that job for less than three months. These are essentially people in a new job. That could be a brand new job; it could be a promotion; it could be with a new company. But it's a new job in the industry. You find that roughly an eighth of the labour force in retail started a new job within the last quarter. That's a very steady pattern. If you look at it going over a number of years and by numbers, what that shows, for example in 1999, is that every quarter throughout that year 40,000 people in Ontario moved into a new job in retail—160,000 job opportunities over the course of the year. Those are not brand new jobs, but they're opportunities for an individual to get a paying job. I imagine when the data come out for 2000, we'll see



that number go up even higher. It's a great opportunity for people to enter the labour force, to better their skills, to move up and to get a paying job.

I'd like to talk now, just to finish off very briefly, about the number of businesses in Ontario in retail. Again, just the sheer size of this industry somewhat overwhelms me when I consider it. Look at the thousands and thousands of companies that are represented in Ontario and, again, the very large number that are small businesses. We found it helpful to take these data and break them down into a couple of sample communities that we picked. We picked a couple almost at random.

This is Vaughan, just north of Toronto. When you look there, you see—what is it?—98 gas stations, 125 stores selling health and personal care, 63 for sporting goods, hobbies, books and music. That's a lot of small businesses in this one sample town. We chose Parry Sound for reasons that will be obvious but are less relevant now, as a result of changes in the last couple of weeks. I didn't have a chance to change my slides. You can see, in a town like Parry Sound, just how much the retail industry contributes to the economic and the personal life of the community.

I'd like to finish off with some policy observations. This year our members asked us to be fairly general. We don't have a shopping list of fiscal or other changes. They feel that the broad directions this government is pursuing are largely ones that they would support, so they asked me simply to flag three pieces to the members of the committee here: first of all to remind you, as I'm sure you're very much aware, that it's terribly important that we promote the growth of personal disposable income, especially of lower-income Canadians. It's easy, sometimes, to forget that when the economy is strong, but the purpose of having an economy, of having economic growth, is in fact to improve the well-being of our fellow citizens. That's a fundamental policy principle that a lot of our members keep referring us back to as one that we should keep emphasizing as a priority—particularly lower-income Canadians. Now you understand why: because they are by far the people who shop in retail stores.

Secondly, on the basis of our concerns about the employment of technology, we would suggest the government might consider better tax treatment for computers and software. I don't have any hard and specific recommendations in that area. I hope to come back. We're just starting to look at that, as a result of the data that we've gathered.

Finally would be, where possible, to lower per-person employment costs—we are an employment-intensive industry, as you've seen—and to give us the opportunity to promote some flexible labour practices. Certainly we welcomed the changes in the Employment Standards Act that came through just before Christmas. We see some positive developments there in terms of allowing employers and employees to arrive at more flexible arrangements.

Those are my opening remarks. I'd be glad to take any comments or questions.

**The Chair:** Thank you very much. We have approximately three minutes per caucus, and I'll start with the official opposition.

**Mr Phillips:** First, oftentimes the retail industry is one that feels the economy earliest, you would think. But I gather from your comments that your members are not seeing any slowdown right now.

**Mr Woolford:** No. We had a board meeting a couple of weeks ago, February 1, and just as part of the process of introducing a couple of newer members, the other members went around the board and indicated their company and sort of a rough explanation of how they saw things going. The reports back were uniformly very positive. Admittedly, we tend to get larger companies and healthier companies on our board, but again, the forecast from our independent members was very positive for this year. It's very anecdotal, but talking to independent members, they still see quite a good year ahead for them. Like you, I'm a little surprised at it. I would have thought they'd be more cautious.

**Mr Phillips:** You were saying that they project a 2% to 3% increase in sales. That's kind of inflation. Is that what they are predicting?

**Mr Woolford:** I think in retail that's probably not inflation. Retail prices are still not going up that fast, so I'd say there's real growth in there of at least 1.5%. When you take out population growth, that means that real after-tax disposable income growth being translated into consumption would be less than 1%, I would guess. So you've got 1% employment growth, a little less than 1% growth in spending power, if you will, and maybe a little more than 1% in inflation.

**Mr Phillips:** Judgmentally, I would have thought on the employment side, because I see so many of the box stores being built—the Wal-Marts, the Home Depots, all of those that look to me like they employ fewer staff per million dollars of sales than the stores they are replacing—that employment would be stagnant in the retail business, so I was pleasantly surprised to see that growth. What am I missing there? As the huge stores come in, are there also lots of labour-intensive smaller stores being opened?

**Mr Woolford:** Certainly there is no question that the larger formats are much more labour-efficient. You can move a larger value and a larger volume of product with fewer hours of employment.

I think what has happened is that in the last two to three years we have finally seen some significant growth in personal disposable income, and that has flowed directly through to our members' stores. They have seen customers show up who now have a job, who have a better-paying job, who have got a promotion, and they're prepared to spend. We've seen much higher rates of growth in spending in 1997, 1998 and 1999, and somewhat softer but still positive growth in 2000. When retail is growing, that's when retailers make their money, on growth. So I think they've been able to go out and hire a lot more people. You've probably seen more businesses start up as well.

**Mr Phillips:** I've always worried when I see a large box store go into a community about who then won't exist, because they take a huge volume. There's a store in the area that's open 24 hours a day. You can go into Home Depots at midnight.

But my question is this: in good times, maybe the ones that might have been hurt by it aren't hurt by it, but are there any danger signals to us, when the times slow down a little bit, that the casualties of the big box stores may be accelerated?

**Mr Woolford:** This is something we've wrestled with over the years. There's no question that in a downturn, retail feels it first and they feel it hard. Less efficient, less competitive retailers will be pushed to the wall. The larger formats are more successful. Customers like them. They are certainly lower-cost, and so they will survive a downturn better than your typical smaller retailer.

The position of the trade association, though, is that this is a consumer-driven business and what's good for the consumer is good for the industry. So it is better for the industry to see that bloodletting, if you will, because it reflects the demands and needs of consumers, than to try to somehow protect it from the effects of consumer demand. It's a brutal business, there's no question. This is a very tough business to make a living in. You can see it in the data for profitability. I think those data were from 1997, which was a relatively good year for retailing, and yet roughly a third of businesses were still losing money. This has never been and never will be an easy business.

1520

**Mr Christopherson:** Peter, welcome again. You and I mixed it up before on labour issues, and since you referenced it here, I'm going to touch on it, but that's not going to be my sole focus this time, because the legislation is behind us. I know how you feel; you know how I feel. Again, I won't just argue the point about the flexible; we could go into that. But I do want to ask you how you square the fact that your first point, and you mentioned it a number of times after, was to promote the growth of personal disposable income, particularly at the lower end, which is understandable because, as you mentioned, that's where the money circulates and in a local economy that's what makes it go, but then at the end you say you supported the last piece of labour legislation. That was the Employment Standards Act, where the government refused to increase the minimum wage. Ordinarily, you and I can lock horns over the issue of minimum wage. I raise it this time not because debate between you and I is anywhere new that we haven't been, but rather you started with the issue of talking about disposable income, so I'll mention other things and let you comment, but I would hope to hear you say that some movement in the minimum wage is something that you wouldn't oppose in light of what you deem to be your most important issue, which is people who are earning minimum wage.

If I can, I want to pick up a bit on where Gerry Phillips was, because those are the notes I made. It's fine for all

of us to say at the end of the day, "Well, it's a tough business, it's cutthroat," and so the box malls go in and the anti-union Wal-Marts go in there and they get a lot of business. But it has an impact not just on the dollar side of business; it has an impact on our communities big time. If you look at downtown Hamilton or any of the other smaller business areas, such as Concession Street in my colleague from Hamilton Mountain's riding, Westdale in mine, the smaller downtown centres of the former municipalities of Dundas and Ancaster, over time, they lose their whole character.

Is there something above and beyond just the dollar dynamic of the markets that government, at whatever level, should be looking at, if not incentives, something to preserve our downtowns so that they become something more than just little mini Las Vegas and lose that liveability? Because it seems that in order to revive older communities like Hamilton one of the key things is your mix of business, service and residential, and then a mix of income within that residential component.

Just standing back looking at it with all your years of experience and your pan-Canadian breadth of view, are there aspects of this that government ought to be looking at that aren't necessarily going to interfere with the marketplace—see, John, I can say that—that don't necessarily have to do that but do allow us to preserve an important part of our communities? Just your thoughts on that, Peter.

**Mr Woolford:** That's an interesting question, and it's one that we've wrestled with. First of all, I have to tell you, Mr Christopherson, I am going to disappoint you.

**Mr Christopherson:** Oh, no.

**Mr Woolford:** I know this comes as a shock.

**Mr Christopherson:** How can you keep these people in poverty, man? How do you sleep?

**Mr Woolford:** I think the answer there is that the market for labour is like everything else: there's a market. What you want to do is ensure that people respond rationally to signals. I think you'd find today in fact, if I'm not mistaken, that the average retail wage in Ontario now is significantly above the minimum wage. That is driven there by market pressures.

**Mr Christopherson:** A lot of that's also driven by the UFCW, which negotiates good rates for their members who work in grocery stores.

**Mr Woolford:** In the general merchandise retail trade, the UFCW is not a significant factor.

**Mr Christopherson:** No, but they would affect the average. But anyway, sorry to interrupt.

**Mr Woolford:** Our argument there would be again that we feel it's better for buyer and seller to operate in a free way.

The impact of big boxes on communities is a tough one. We've actually had a lively debate within the trade about this. As a matter of fact, if I'm not mistaken, it may be in this copy of Canadian Retailer or an earlier one—I'll send you a copy, Mr Christopherson—where I wrestled this through, because our retailer of the year last year was in fact Dave Ferguson of Wal-Mart Canada, and



we had a number of independent members come to us and say, "How can you honour somebody who's the Darth Vader of retail?" and our answer was, "He is in fact a very good retailer. We should be proud of him and small merchants should be proud of him as well."

Those big boxes have built a format, a style and a way of retailing that is very attractive to the consumer. If the consumer wants to go downtown, they will go downtown, but they have voted with their time, their wheels and their dollars to visit those stores and it's not the retailer's business to tell them they can't do that. That's the hard nut we have to chew on in the retail business. The consumer is the king or the queen of our business and what he or she wants drives the retailer.

**Mr Ted Arnott (Waterloo-Wellington):** Thank you very much, Peter, for your presentation. I haven't been here for 12 years to hear you but I've enjoyed the last three or four.

I wanted to ask you about the minimum wage because our friends in the NDP continue to raise this. The adult minimum wage, I believe, is \$6.85 an hour and it was raised considerably under their tenure in power. Was it 40% that it went up, Dave?

**Mr Christopherson:** A little under, but I'll take credit for 40%.

**Mr Arnott:** I believe it is their position that it should be raised to \$7.50 an hour.

**Mr Christopherson:** It would make it equal with the American minimum wage.

**Mr Arnott:** It seems to me our position in 1994-95, as a caucus, was that we would freeze the minimum wage until competing jurisdictions caught up. To be fair, I think some of our competing jurisdictions have caught up, if you convert American dollars to Canadian dollars. That's my understanding.

**Mr Christopherson:** Didn't that just support my argument?

**The Chair:** One discussion at a time, please.

**Mr Arnott:** Just let me finish. There have been some economic studies which indicate that an increase in the minimum wage actually costs jobs and that employers choose not to hire people as the price of labour goes up. What do you think the impact of an increase in the minimum wage to \$7.50 an hour would be in terms of jobs in the retail trade in the province?

**Mr Woolford:** I think the impact would be negative. At the present time, the negative effects might be somewhat muted because conditions are so strong. Where you'd probably see a stronger effect would be whenever growth does slow down.

It might be helpful for members to understand how retailers go about the business of paying. A retailer will have a certain amount of margin on the product which generates the revenue to the retailer above the cost of the goods sold, and out of that margin they have to pay all their operating costs. Typically what a retailer will do is calculate a certain portion of that margin as their salary budget, their wage budget, and out of that comes everything: the Canada pension plan, employment insurance

premiums, workers' comp premiums, pay, benefits, the whole works. So in a sense, the salary or the wage that a retailer can afford to pay is the residual after you've taken the other elements off. Then you simply calculate out what you can afford to pay or what you're required to pay by minimum wage and that becomes in essence your wage per hour.

What it means in our business, then, is that if the cost per hour goes up, as a retailer, if there's not additional money in that pot, you simply reduce the number of hours the people work in the store. Retail hours are somewhat flexible. You can dial them up or dial them down. The saying in retailing is, "You're only as good as yesterday's sales." They watch their sales very closely. Most medium- and large-size firms have computer programs that measure it almost to the quarter hour. They know exactly when the customer wants to shop and they try and ensure that set staff are there for those times. So they do manage those costs extremely closely, they watch them on a daily or weekly basis, and if the base tends to get raised, then the impact at least in the medium to longer term will be fewer hours of work for people and probably somewhat fewer opportunities.

**The Chair:** We've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr O'Toole:** See you next year.

**Mr Woolford:** Same time next year.

1530

## ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

**The Chair:** Our next presentation is from the Ontario Secondary School Teachers' Federation. Will you please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Earl Manners:** On behalf of the 50,000 members of the Ontario Secondary School Teachers' Federation, I'd like to thank you for the opportunity to present today. My name is Earl Manners. I'm president of the Ontario Secondary School Teachers' Federation. On my right is Mark Ciavaglia, who many would probably know from our staff, who is our legislative liaison, and on my left is Dale Leckie, another member of our staff, who works in the area of education finance.

You have a copy of our brief and, knowing we have just half an hour and wanting to ensure there is time for questions, I do not intend to read it or go through it page by page, but I will try to highlight some of the key points that I think need to be emphasized.

To cut to the chase, it is our position that there are not enough teachers and education workers to provide for the needs of Ontario's students today. Therefore, there needs to be a significant infusion of money into the education sector. The lack of funding and the inflexibility of the funding formula and other related legislation have served to make Ontario schools less attractive places to work.

Finally, there is not enough money to support the educational reforms embraced by this government, whether they be your safe schools policy, the integration and provision of programs for special-needs students or the new curriculum.

There is an illusion out there, though, that there's been a lot of new spending on education in this time of prosperity. Throughout the last year there has been a series of announcements about education funding, which we have listed in our brief. For example, new funding for the learning opportunities grant has been announced four times, funding for new textbooks has been announced five times and special education funding has been announced 10 times throughout the past year. It does, I think, create the illusion. Some people may believe that each time these announcements are made, they are really announcements of new funding for the education system. If you add them all up, they come to \$4.7 billion. I don't think that has been an accurate reflection of how much money has been invested in education in the year 2000. In fact, most independent analyses of the education funding formula have agreed that over the term of this government more than \$1.7 billion has been extracted from public education when you take into account enrolment increases and inflation as well.

We see this as a missed opportunity, because there has been no new investment in education, despite the prosperity that has been emphasized by both the previous finance minister and the current finance minister. The government has said that in the last fiscal year they have increased funding to public education by \$190 million in net new money. But when you take into account inflation in Ontario, enrolment increases and the fact that the funding formula continues to claw back pension contributions and any savings from retirements and hiring new teachers, there has been an actual decrease in the past year, as there has been in previous years under this government.

I don't often quote the finance minister, but I will. In Hansard on February 13, the Honourable Jim Flaherty said, "we are on track for a \$1.4-billion surplus in 2000-01." We know that Minister Ernie Eves indicated there was a surplus last year, but none of it went to the public education system. We believe that if there are real surpluses this year, it is time to reinvest in our public education system.

In that same presentation, the Honourable Mr Flaherty noted that Ontario has the most educated workforce in the OECD. He also indicated that in order to be competitive, we have to remain competitive with the Great Lakes states that surround us. If the logic is accepted that we have to remain competitive with our colleagues in the Great Lakes states, then I think it would apply to education expenditure as well, if one of the drawing points for the Ontario economy is that we have the best-educated workforce.

When you look at a comparison of Ontario with the Great Lakes states, we just don't measure up competitively. In New York, our neighbour to the south,

they're spending over \$10,000 per pupil; in Pennsylvania, over \$9,000; in Wisconsin, over \$8,000; in Indiana, over \$7,000; in Minnesota, almost \$8,000; in Ohio, almost \$8,000; in Illinois, just over \$7,000. In fact, the average of the Great Lakes states on per pupil expenditure is \$8,458. What is Ontario's expenditure? Almost half: \$4,992.

As a result of that, we're in danger of losing the most highly trained and educated teachers and educational workers in this province. In our brief, on pages 10 to 13, we highlight the teacher shortage in particular. I'd specifically like to reference page 12 of that section, because the shortage of teachers is not just due to the demographics of retirement; it's due to a work environment that is increasingly unattractive and not competitive. Last year, over 9,000 people left the rolls of the Ontario teachers' pension plan. Of them, 5,142 were due to retirement; 4,414, though, were quits. That's almost half the number of people who left the rolls.

This is unprecedented, and they are not people who are just nearing retirement and decided to leave with penalties. They are people like Dan Duquette, who happens to teach at my old high school, Grey Highlands Secondary School in Flesherton, who is recognized as an exceptional trades and technology teacher, and after many years of teaching has decided to quit and leave the profession in its entirety. He is an example of many young people who don't want to teach any more. His leaving is particularly poignant, because as a technical teacher he is one of 1,525 technical teachers who will be leaving the profession in the next year. There are only 77 technical teachers being trained in our faculties of education across this province. I don't know who is going to replace Dan Duquette in my hometown of Flesherton.

Last year, 6,669 teachers graduated from Ontario faculties of education; however, 662 did not apply for college accreditation, which they need in order to teach in this province. That's 10% of the students who graduated from Ontario faculties, a 135% increase from 1999. Applications to faculties this year are down 35%, and the number of spaces in the faculties doesn't match the number of retirements even if the faculties filled up all their spaces.

This is a problem that in part was predictable due to demographics but was also predictable due to the changes in legislation and funding formula that have hurt our education system. In fact, since this government has been in power, because of the impact of the funding formula and legislation, the number of teachers and education workers, whether directly or indirectly, has declined by over 9% across this province. There are only 58 staff per 1,000 students in our schools today, and that has a direct effect on school safety. The more adults in the school, the more safe the school. That 9% reduction does have an impact.

**1540**

I'd like to talk directly for a second about students and the impact of the funding formula on student oppor-



tunities. I will not reiterate the concerns that are raised in our brief about special education funding and other areas. I think they're well known to everyone in this room and to the public at large. But I want to bring up an aspect of the funding formula that concerns teachers and educational workers greatly, and that is the underfunding of student credits.

The funding formula, as it's written, only provides funding for an average of 7.5 credits per student. Many boards, when they look at their student enrolment in courses, find that the average number of credits is greater than that. That's something that should be applauded. Our students are trying to take as many courses as possible. They're trying to get a wide-ranging education in a number of fields so that they've got greater opportunities for the future.

These average credits per student should get higher with the introduction of the new curriculum in an attempt to try to ensure more students graduate in four years. But today, even under the old method, in Thames Valley, for example, the average credit is 7.56. That doesn't sound like an awful lot of difference between the average of 7.5. But in terms of the number of credits it generates and the number of teachers that's required to teach those extra credits, that's an \$800,000 shortfall on the funding formula to the Thames Valley board of education. Halton region also has a 7.56 average credits per student ratio, and that means a shortfall of \$450,000. We just use those two as examples, but there are many more like that all across this province.

In conclusion, I would just like to say that this government likes to look to the United States when it comes to making comments about competitiveness. Some of our American neighbours have made a number of the mistakes that we believe are being made here in Ontario today, in particular that the American education system has seen the effects of funding neglect over many, many years. Recently, New York state, for example, is revisiting its state-wide funding formula. On page 6 we've included a quote from Governor Pataki of New York, who has stated that the state funding formula is a strait-jacket and that school districts need more flexibility when it comes to funding for education because they can better meet the needs of their communities that are served by those district school boards.

We have seven recommendations. We believe that there should be some measure of flexibility in the funding formula that allows school boards the historic right to raise funds locally. We believe that the provincial support for public education should match and indeed exceed the inflation rate on a yearly basis. We believe that workload provisions, like those established in Bill 74, introduce a level of province-wide bureaucracy and red tape that is hurting the education system; and that the student-based funding formula, if it is to be a student-based funding formula, should not limit the number of student opportunities by limiting funding for the number of credits that students take. Recommendations 5, 6 and 7 reiterate concerns about aspects of the funding formula that we've

talked about before, whether they be special education or the clawbacks that are introduced when school boards hire new and younger and well-educated teachers.

We'll end on that point. Thank you very much.

**The Chair:** Thank you very much. We've got approximately three minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you, Earl and colleagues, for coming forward. Just to stand back for a second—I was trying to think exactly where I'd like to go when I had a chance to get the floor—in as short a time, obviously, as possible, Earl, is it possible to just give us a snapshot of where we were five years ago, before the government started down its road of creating a crisis, and compare it to where we are now, and some sense of where we're going to be at the end of, say, this term of the government, hopefully the last, in terms of the changes that are happening? So where did we start out, where are we now, and if we keep going down this same road, if they don't listen to you and they don't listen to anyone else who's coming in and saying education at all levels needs to be funded for a whole host of reasons, including good business, if they don't do that, where's that going to leave us four years hence? What's the system going to look like?

**Mr Manners:** In 1995, we had an education system that had one of the best graduation rates in the western world. It included more students than anywhere else in the education system to make sure their needs were met. It was flexible enough that local communities had some say and influence over the kinds of programs that were available in schools and throughout communities, and where there was some democratic access by parents and the community through their school boards to the decision-making process.

That has dramatically changed with the introduction of a province-wide funding formula, province-wide legislation that has created more and more inflexibility in the system and has led to significant cuts to programs and services for students.

Today, communities can't meet all the needs that parents would like to see met for their students. There are waiting lists for special education. Adult education, for example, which was probably one of the most impressive programs in the world here in Ontario, has been eliminated and privatized throughout Ontario and does not reach the number of students that it used to reach in any way, shape or form. The money's just not there.

In 1995, when people entered the education system as a teacher or an educational worker, they chose that as a calling and because they had an interest in education and it was usually their working life commitment. Today what we're seeing is a dramatic increase in people leaving within their first five years of work because their idealism is no longer being sufficiently realized because of the changes to the education system. And we're not getting the kinds of people entering anymore, wanting to work in education, with the qualifications that this education system has depended on for years. That doesn't bode well for the future.

**The Chair:** Mrs Molinari.

**Mrs Molinari:** Thank you very much for your presentation. I have some comments but I'll start off with some questions.

I find the chart that you gave us here, that shows the breakdown in per pupil expenditure in various areas, quite interesting. I have some questions on what assumptions were used in preparing this chart. It's been my experience that you can take numbers and, depending on what you put in it, you can make it look like whatever you want it to look like.

To be more specific in this area, to compare apples to apples, I would like to know what assumptions have been used to come up with these numbers. What percentage of this is in fact salaries versus ours? If you could start off with answering those questions, it would help.

**Mr Manners:** The comparisons are based on the same basket of items from the various states through the various provinces, the District of Columbia and the territories. If you're talking about the per pupil expenditure rankings for North America in its entirety—and that's where we got the statistics for the border states around Ontario that I quoted specifically in my presentation—they reference the funding formula and the program services, salaries etc that are required to run the education system, so we are comparing apples to apples.

As we note in our brief, we have used the January 31, 2000, conversion rates of Olsen and Associates of Zurich, Switzerland, to make sure we're controlling for the differences in the value of the Canadian dollar and the US dollar.

1550

**Mrs Molinari:** Would you know what percentage of that would be salaries? In Ontario 75%, 80% of the budget is salaries.

**Mr Manners:** Education, like health care, involves people working directly with students, so salary is a significant portion of the budget in any state or province when it comes to public education, just as it is with public health care. I would suspect—and I could probably check some of these figures and provide them for you if you like—that in some of those American states and other provinces the ratio for the salary component of this would be about the same as Ontario.

**Mrs Molinari:** It would be interesting to know.

Several studies have been done in the past that have stated that the old funding model was inadequate and flawed. It had been presented to previous governments numerous times and no government had the courage to actually come in and change that funding model, whereas in 1995 this Conservative government came in and put forth a per pupil funding model that was more fair to all of the students in Ontario, rather than areas rich in assessment, which always had more money and were able to offer more for their students, versus poor in assessment.

The other difficulty with the old funding model was that when boards were allowed to levy tax increases, there was a threat of strike action, so boards were forced

into positions of increasing salaries to a certain extent and taking money away from classroom expenditures, because that's not as tangibly seen by the parents and students as a strike. Some of the changes that were made in the present funding model put more parameters into what classroom spending should be and gave boards more restrictions as to what that should be with respect to administration, staffing and supplies and services for the schools. So there have been a number of changes that were made that were positive, that would directly benefit the students and would not put boards in a situation where they were forced into certain decisions because of public pressure and the pressures of all of those around them. I'd like your comments on that, please.

**Mr Manners:** I appreciate the question. There is no question that the previous funding formula was not working as well as it might, but there were no studies ever suggested that I'm aware of that the province should take over complete control of the funding of education. In fact, one of the problems with the old funding formula was not the principle it was based on but the fact that the provincial share of funding had decreased to the point where it put too much strain on the local property tax system, which is not a progressive tax system like income is. So more and more burden was being placed on local school boards to go to the local tax base to pay for the basic costs of education that historically had been the responsibility of the provincial government.

When the funding formula was developed, it was based on the assumption that about 60% to 70% of the funding would come from the province and 30% would come from the local tax base. As that dwindled—it ended up that 70% of the funding was coming from the local tax base—you ended up with problems related to rich assessment bases and poor assessment bases. If it had stayed at the original ratio, that would never have happened, because that was already built into the assumptions of the original funding formula.

School board tax increases over the last 20 years are tied more to the decrease in provincial funding than to negotiations or to the demands of the community for new programs. School boards were asked every year to pick up more and more of the burden and that's why there were increases in the local tax base.

I don't know why you were trying to emphasize salary in both of your questions. Salary is a factor that is part of the education system. If the salary was so good in Ontario, why is there a teacher shortage in this province? Why are people leaving in droves from this province? Perhaps to get out of education in its entirety, or to go to places like New York state, where they recently had over 400 people apply to work in places like Harlem because they thought that was a better place and better environment to work in than Ontario.

I don't apologize for teachers who are highly trained, well educated and dedicated to the cause getting a fair salary. At no time have our salaries ever taken advantage or gone beyond inflation or other factors that the previous speaker here talked about—supply and demand—in



Ontario. In fact, teachers and educational workers in this province have not had a pay increase for 10 years and they cannot be blamed for the inadequacy of the funding formula.

**Mrs Molinari:** Just to clarify, 85%—

**The Chair:** Ms Molinari, we've run out of time. Mr Phillips.

**Mr Phillips:** Just an observation, then a comment and then a question. They gave us some numbers yesterday or the day before on funding, and it was interesting to note that while Mike Harris now sets all the property tax rates, he is actually raising more money off property taxes today than 10 years ago, in spite of the fact that it was all supposed to be, "We're going to take it off property taxes." I see that 10 years ago they were raising \$5.473 billion and today they're raising \$5.739 billion. So that's the shell game you talked a little bit about.

I got elected to the school board in 1969, when the TVs were coming in, and I had this thought that they were going to replace teachers and all that sort of thing. I learned in 10 years on the school board. Education, to me, is very simple: it is a well-trained, motivated teacher in front of a bunch of students in a safe environment. It's just that simple and it probably hasn't changed in 3,000 years. I believe that to the core. That's why I always say to the government, "If this were a business, you are making a huge mistake in demoralizing your prime asset, which is the motivated teacher. It just doesn't make any business sense."

I hate to live in the past, but we had the 40th reunion of our old football team and, amazingly enough, all three of our coaches were there when we went back after 40 years. They remembered not only our names but our numbers, every play, every mistake we made. My point is, from my own experience in school and my experiences as a trustee, that we've got to understand what this is all about. As I say, it's putting students in a safe, clean, warm environment with a motivated teacher. We just make a huge mistake in demoralizing our prime asset.

Now my question: the challenge, Mr Manners, is that there's a lot of jargon in education. The funding formula is a trap, because the government, in my opinion, can hide behind it and say, "We've increased the amount of funding for X," and they do it by taking away in a bunch of other areas, but then we're debating the details of the formula.

I'm searching desperately to find ways that we can humanize this. I know you try your best in this, but I think until we do that, the public who observe us will simply be confused about what the true state is. I guess I'm pleading with you to do a very difficult task, and that is to help humanize this for us and the implications of all the changes that have gone on—you've done some of that for us today, but for now and in the future—just so that when the public are subjected to the funding formula and this and that, they also have a human side of it. That's somewhat of a comment but also a question. Is there any way we can get some measurements that the

non-educator can relate to easily so we can begin to gather what I think should happen, and that is, overwhelming public support for our public education system?

**1600**

**Mr Manners:** Thank you very much. We always try to humanize this and sometimes the best way to humanize the situation is to talk about people. I don't intend that to be self-serving, just to talk about teachers and educational workers, but also students and the people who are involved in education throughout the system.

The government makes a big deal that they've taken money from administration and moved it to the classroom, yet their definition of the classroom has become ever smaller so that it doesn't even include large aspects of the school. Yet I think most people in the public would believe that anything that is going on in the school is classroom or classroom-related.

You can't operate a school, you can't have students in a safe, welcoming, clean environment, if you don't have a custodian, yet a custodian is defined as administration under the funding formula, a definition that any custodian would have a hard time rationalizing. The secretary in the school, who is often the first person to phone home when a student is absent and may be the first person to discover that there's been an accident on the way to school, is defined as administration yet is integral to the operation of that school. Other support staff are also defined as administration. It's a nice way to shrink the school, to shrink the services and eliminate the programs.

Adult education: because they turned 18, they were no longer considered students and therefore all of the expenditures were defined as administration. Here were people getting a second chance, getting off the welfare rolls and getting back into productive life, yet that was defined as administration in order to eliminate the program from the public education umbrella. I think that's the best way to humanize it.

Let's just take a look at that arbitrary definition between administration and classroom and say that's the point where we need to rethink and re-look at the funding formula. If we come up with a real definition, where the whole school is considered a classroom and administration is something else off campus, then perhaps we can get back to a better funding formula that's serving the needs of students, parents and communities.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

#### COUNCIL OF ONTARIO UNIVERSITIES

**The Chair:** Our next presentation is from the Council of Ontario Universities. Could you please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Dr Mordechai Rozanski:** I am Mordechai Rozanski, vice-chair of the Council of Ontario Universities and president of the University of Guelph. I'm joined by Dr

Ian Clark on my right, who is president of the Council of Ontario Universities, and Ken Snowdon to my left, who is the vice-president of the council.

Thank you for allowing us to present to you today. In doing so I note the fine OCUFA presentation made earlier. As you will hear during our presentation, there is agreement with many of our colleagues' key points. Knowing that our time is limited and that OCUFA has drawn your attention to many of our shared concerns, we'll be very focused in our presentation.

The evidence clearly illustrates that a highly educated population and a dynamic research culture are vital to positioning a jurisdiction to compete in the new knowledge-based economy and to contribute to improvement of the quality of lives of Ontarians. The outcomes of the Premiers' conferences held in 1998 are clear reinforcement of these facts. Over half of the priorities identified in the summary report, Road Map to Prosperity, revolve around education. It is widely acknowledged that education is inextricably linked to our province's vision for economic vitality, social advancement and cultural improvement.

You have all received a package which contains our brief to the committee and two other documents that provide yet more very compelling arguments for investing in Ontario universities and, therein, Ontario students.

Ontario universities make a vital difference to the quality of life of this province and its people. In addition to the very important social and cultural reasons for investing in our universities, there are sound economic benefits.

Let me share with you a few key points from the Economic Impact Study: The Economic Impact of Ontario Universities. This report, by Enterprise Canada, was commissioned by the Council of Ontario Universities and has just been released here today. I hope you will be impressed, as we are.

First, Ontario universities are provincial leaders in job creation. This means that Ontario universities are major contributors to economic growth and job creation, directly or indirectly sustaining more than 375,000 jobs in this province.

Second, for every dollar of investment in universities, the government gets back \$1.50. This means that with the direct provincial investment in Ontario universities of about \$2.1 billion per year, the province receives more than \$3.2 billion back in revenues generated directly and indirectly by the university sector. You might see this on your pie charts on the front cover of the newsletter.

Third, Ontario universities generate more than \$10 billion in economic activity each year. This means that the gross domestic product of the Ontario university sector is larger than any of the province's plastic products, textiles, paper products, fabricated metal, electrical and electronic products, communications or chemical products industries.

You have a copy of the report and the special edition newsletter in your folder and I hope you will be able to steal time from your busy schedules to review these

materials. The newsletter also provides a glimpse, through specific examples, into the scope of the contributions that Ontario universities make to the province and its people. I know these examples will make you immensely proud of the rich resources we possess in our universities and the direct relevance to us, both as individuals and as residents of the province.

The evidence is clear: an investment in Ontario universities is an investment in this province. The social, cultural and economic dividends are significant and far-reaching. University education benefits Ontario in the aggregate by creating jobs and wealth in the new high-growth sectors, by developing a high calibre workforce that is one of the greatest attractors for new economic investment and by preparing graduates to contribute to society in the arts, humanities, social sciences and sciences as creative and well-rounded individuals. A university education benefits students individually by increasing their employment and income prospects and stimulating personal growth. Ontario's investment in university students produces immediate gains for the province that accrue over time.

Let me also say that a jurisdiction's research capacity is another key determinant of prosperity and quality of life. Among its many benefits, research spawns innovation, commercialization and technology transfer, and attracts investment. Canada depends on the higher education sector for almost one quarter of its national research and development effort and Ontario is home to over 40% of the scholarly and research activity in Canada. Research and scholarly activity, the wellspring of innovation, pervade every aspect of university teaching and learning, pushing the boundaries of knowledge and encouraging free inquiry.

Allow me to place this important point about innovation in a context that was cited earlier by our colleagues from OCUFA. A vibrant and diverse research environment is central to our teaching and learning success. It also stimulates our ability to attract and retain the very best faculty and graduate students in what is an extremely competitive international marketplace. When I say "diverse research environment," I join OCUFA in referencing Heather Munroe-Blum's study, Growing Ontario's Innovation System, which makes clear that innovation draws on the full range of basic and applied research in the sciences, humanities and social sciences.

Why is investment in Ontario's universities so important at this particular juncture? Ontario is on the verge of the greatest surge in demand for university opportunities in more than 30 years. Yes, the challenges are considerable and universities have been working closely with government to plan for the expansion for some time, but there is reason to welcome these challenges, to build on our strengths and in turn to ensure Ontario's success in the new economy.

Over the next decade, an additional 90,000 students are likely to be seeking admission to Ontario universities, bringing the student total to some 320,000 by 2010. You can see that on our chart. Our population of 18- to 24-



year-olds is growing. It is expected to increase by over 18% by 2010, and within this age group there's an increase in the number of individuals participating in post-secondary education. Conservative projections indicate that increases in participation rates may reach 25% by 2010. It is also expected that participation among those in mid-career will increase as the knowledge economy requires more working adults to renew their skills.

#### 1610

As most of you here know, secondary school reforms in our province, particularly the elimination of grade 13 in 2003, will create a significant increase in demand. In less than two years, we will see the last of the students in the former secondary school system and the first of the students in the reformed secondary school system seeking university admission at the same time, resulting in an abrupt increase in the demand for first-year places. At the height of this peak, in 2004, secondary school reform could result in an additional 33,500 students seeking admission to Ontario universities, which are at capacity. Remember, that's over and above the normal first-year admission numbers, which total close to 50,000.

Let me make you see one other point if we go out further, to 2005. In 2005, we expect to see total full-time undergraduate enrolment approach 300,000 students. Just as our student numbers are peaking, our faculty numbers are on a steep decline. We must reverse this trend as quickly as possible. It is faculty who help guide students' thinking, challenging them to deepen their understanding. Through teaching, research and their ability to nurture innovation, they generate the advanced knowledge that Ontario needs for leadership in the new economy.

It is estimated that, at a minimum, 13,500 new faculty will need to be hired in Ontario; that means 1,350 faculty to be hired each year for the next 10 years. Seven thousand five hundred will be needed to offset faculty losses, due primarily to retirement, a trend that is mirrored across North America, resulting in competition from virtually every jurisdiction on this continent. It makes good economic sense for Ontario universities to be in a position to seek out the best and the brightest. Four thousand two hundred will be needed to meet the projected enrolment expansion over this decade and 1,800 will be needed to improve the quality of the educational experience that is currently undermined by Ontario's disproportionately large student-to-faculty ratios, which lag behind the other nine provinces and the United States. You might take a look at page 4 of the brief.

Consider that Ontario's ratios are some 10% below the average of Canada's nine other provinces and some 30% below our peer public institutions in the United States. We must start recruiting faculty as soon as possible. The surge of new students will arrive on our campuses by 2003, two years away. It takes 12 to 18 months to recruit new faculty in an environment where universities in other Canadian provinces and in the United States are also competing for faculty.

This situation also reinforces the importance of expanding graduate studies to develop the pipeline of new faculty. Let me mention that currently Canada produces 4,000 PhDs per year. Government and industry recruit some 50% of these graduates. We have a daunting challenge.

A number of other factors contribute to the quality of students' learning. Faculty rely on the support of numerous individuals to deliver excellence in the classroom and beyond. Our students count on a host of resources to round out their life as a student, from academic and administrative support staff and well-maintained labs and learning resources, to heating, lighting and food service facilities. Given the inadequate funding, Ontario universities have had to defer the maintenance and renewal of these teaching faculties and resources.

Providing our students with the deeper tools and the proper tools and resources for success creates the solid grounding that stimulates the pursuit of excellence. That results in the acquisition of knowledge and skills that will make the province a winner in the new economy.

The university of 2001 is a different, more efficient and dynamic institution than that which existed just a few years ago. But significant reinvestment by government in basic operating grants is necessary to enable Ontario universities to move forward and develop the infrastructure that provides the necessary tools for teaching, learning and research.

A predictable planning environment will create more stability for the well-being of our universities and, more importantly, for the ultimate economic, social and cultural well-being of our province. That well-being is fuelled in direct proportion to the level of investment in our universities. The Ontario government has recently begun substantial reinvestment in university education through innovation programs such as SuperBuild, ATOP and improved student assistance programs. As you will note from page 7 of our brief, the Ontario government is also making exceptional investments in research through doubling the Ontario Research and Development Challenge Fund, expanding the Ontario Innovation Trust by \$500 million, doubling the Premier's Research Excellence Awards for the remaining years of the program and creating an annual research performance fund to support research overhead costs.

Universities have responded to these forward-thinking initiatives, resulting in increased enrolment, new and expanded courses, increased use of technology-mediated learning and innovative partnerships with the private and public sector. Ontario universities are well-placed to ensure that Ontario students can access world-class education and, as a result, can help position this province to compete in the global economy.

Some excellent work has taken place thus far. What we need to turn to now is an investment in university operations, to meet enrolment demands, to hire new faculty and retain them, to ensure that students are offered the highest quality learning experiences, that university physical infrastructure is sound and to build

the province's research capacity. Here we have an opportunity to do something terrific for the future of our province, to contribute toward the objective of making Ontario one of the world's leading jurisdictions, as well as one of the best places to live, work, invest and raise a family.

The people of Ontario have every right to expect maximum return on their investment in their universities, and to achieve this, it is clear that further investment will be required. But it is also clear that it is a wise and necessary investment that will generate considerable payback for this province in the new economy.

Before concluding our presentation, I'd like to ask Dr Ian Clark, who has been intimately involved with the Investing in Students Task Force consultation, as well as the economic impact study, to add anything that he may wish.

**Dr Ian Clark:** Thank you, Dr Rozanski. The committee has probably heard in the course of presentations lots of claims of different groups of how their particular sector is good for Ontario. This economic impact analysis that we are tabling today is very surprising to me, because it's the first time I've been able to see how this has actually been calculated. It just seems like magic that you put in \$1 and get out \$1.50. Let me just draw your attention to the analytics very briefly on page 4 of this document, so you can see how this magic occurs.

This is actually a very conservative kind of analysis, because it's looking just at the Ontario government—the Ontario government puts out money, what comes back into the Ontario government, not what goes into the general economy, not what goes into people's increased incomes, but just the government. The provincial transfers, the first line, are \$1.9 billion, and another \$225 million for student aid, and the right-hand columns show what comes back every year. So \$771 million comes back directly from universities in terms of the taxes and these other various components. Coming down, the one that makes it such a dramatically important investment is the payback, which is the third from the bottom line, the increased income taxes that university graduates provide to the province because of the increased incomes that they generate by virtue of having a higher education.

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That's why, in terms of when you think of any sector, I don't think there is any other sector where this occurs. You put the money in and it really is an investment in the most sort of classic, bean-counter sense of an investment. You actually put the money out from the Ontario government and here the government gets back in more than you put out. We're just making this public today. It's quite a remarkable thing.

**Dr Rozanski:** It's remarkable. It's a case where you can actually say that we're doing well by doing good.

Let me conclude with the comment that we are very appreciative that Minister Cunningham and her colleagues in the Ministry of Training, Colleges and Universities have a profound and sympathetic understanding of these needs and are committed to trying to meet them. Because we have worked so constructively in partnership

with the ministry over the last year to develop plans to meet these various challenges, we remain hopeful that the government will be able to commit the necessary resources to make this happen.

On a closing note, I want to thank the Chair and I want to thank the members of the committee for giving us the time to be present today. We'd be very pleased to answer any questions that you have.

**The Chair:** We've got six minutes in total for questions and answers, so two minutes per caucus. I'll start with the government side.

**Mrs Molinari:** I know my colleague John O'Toole has a question, so I'll just make a very quick comment just to thank you for all the work you're doing with respect to the issues you've brought forward. I know Minister Cunningham values the work and the constant dialogue with your organization and also the work you've done in the Investing in Students Task Force. I'm anxious to have a look at that report that's coming out. Certainly, I know the work you've done is appreciated by all of the ministry. So thank you and keep up the good work.

**Mr O'Toole:** Just very quickly, you've made a statement, and I appreciate your presentation, and I do believe it's an investment in intellectual capital. We've heard that argument from the business side, but this is an interesting investment proposal. You mentioned that Ontario has 40% of the research of all of Canada, and yet when I look at the other numbers, we're the lowest funded, the way it's put to me. How would you explain that? Is it the traditions of the great universities like Guelph, like U of T and Queen's and Western, or is it something else? Is it this synergy of industry, research and universities all working together as part of—it's the right place to be in technology and medicine and—

**Dr Rozanski:** You've answered the question wonderfully, so thank you.

**Mr O'Toole:** Governments can't do it all.

**Dr Rozanski:** That's clear, and we understand this partnership. I think part of the reason why it's so concentrated here is the excellence of 17 world-class universities with outstanding faculty. The key is that to be able to sustain that activity, we need to keep attracting these people. We're going to lose 35% to 40% of our faculty over the next 10 years, plus we have to have a significant portion of that for the growth that we'll have and the quality.

But let me also indicate that when we talk about investing in resources, while we may represent 40%, by comparison to other jurisdictions, the dollars, while they've been tremendously increased in the last few years both by the province and the federal government, our focus is also on the operating grants, which is the key. It's great to get research funding, but we need to have the faculty, we need to have the laboratories, we need to have the technicians to be able to bring that into practice and have technology transfer that results. Otherwise, the research activity will be moribund.

**The Chair:** The official opposition.



**Mrs Marie Bountrogianni (Hamilton Mountain):** Welcome. A great presentation, as always, from the council. Less conservative research studies on the impact of public money spent on education, of course, have shown that for every dollar spent on colleges and universities, \$4 goes back to the local economy, sort of more general research outcomes. I think I may have read that from one of your documents.

**Dr Rozanski:** That's the number in our local community. That would be true. But we tried to be extremely conservative and look at direct impact, and I'd let my colleague speak to that. But you're absolutely right: one could say that the number is actually larger.

**Mrs Bountrogianni:** With respect to your discussions and your optimism that the government will co-operate and give the need money for universities, how soon would you need to know how much you will be getting at the university sector for 2003 to deal with the faculty shortage and the influx of extra students? I have another question if I have time, so please answer quickly.

**Dr Rozanski:** We're always hopeful. We've been working for over a year in developing plans that deal with enrolment and focus on funding issues. It is of course our hope that we would know as soon as possible because we need to begin the task, as we've said and as you have mentioned, of the hiring and investing. We're already at capacity with our students and we need to go forward, so the sooner the better because of the lag time just in hiring. We're competing with every other jurisdiction, including in Canada the other nine provinces.

**Mrs Bountrogianni:** Duly noted. Government, as soon as possible, they need to know.

Lastly, again with respect to your optimism, you also made a presentation for the private universities bill and made a number of good amendments. How many of those amendments were passed and integrated into the bill?

**Dr Rozanski:** I don't believe any were.

**Mr Christopherson:** Thank you very much. It seems to be education day today. Hopefully, the folks at the ministry are tuned in.

I don't know if you were in the room. I did point out—I won't go into the same spiel; if you're interested in how it'll play out, it's there in the Hansard—but there are two examples cited by the chief economist for the TD Bank first thing this morning. Two of the charts that he presented were very much a detailed analysis. Two of these charts speak to the underfunding of universities in the context of their importance to business.

**Dr Rozanski:** I'd love to have a copy.

**Mr Christopherson:** I'm sure if you ask Susan she can make arrangements for you to get a copy of the TD presentation. There's probably one kicking around.

I made the point earlier with the faculty association that it's not just you making the case, that there are good business reasons to do this. You've now got business making the argument that there are good business reasons to do it, so you might want to be sure you remind people of that.

A lot's been dealt with with the underfunding. I just want to maybe deal, in the short time I have, specifically with the double cohort. Number one, you say there are some plans in hand. That's probably the most optimistic and all you said was you've been working on it for a year. I hear a lot of folks who are terrified about exactly what's going to happen.

There are a few things in this I'd like you to address for me if you would. Number one, what sort of things are being looked at specifically? Just a little more sense of on-the-ground. In my community, at McMaster University, what are we going to see there?

**Dr Rozanski:** A great university, number one.

**Mr Christopherson:** Absolutely.

**Dr Rozanski:** Number two, we have developed, in partnership with the government, a five-year plan, institutional plans at our institutions, to be able to respond to the double cohort. Of course, that is contingent on getting the funding we need to hire the faculty and maintain the facilities that we have.

**Mr Christopherson:** One's a nuts-and-bolts question and the other is a philosophical one, if you will. But the nuts-and-bolts one is, if there's going to be a lot of money—and obviously there's going to have to be a lot of money to deal with this double cohort—how much money is going to be spent that is sort of a one-off, that's lost because the bulge comes in and then the bulge isn't there any more?

**Dr Rozanski:** Can I make a point, if you'll allow me? Whether you call this a bubble or whatever, the fact of the matter is the combination of the four factors that are at work, which is demography—the baby boom echo is here, they're here—so even with the double cohort coming in and out, just the increase in participation numbers in the cohort will absorb that bubble and continue on. So this is not a momentary phenomenon.

**Mr Christopherson:** So there won't be a drop-off after—

**Dr Rozanski:** No. As you can see, the numbers grow and even if we project out, while there may be a stabilization, the numbers, some projections, they go on. But we know that for the next 10 years there is a steady increase. This is not a momentary phenomenon. Our numbers have been going up before that.

**Mr Christopherson:** The other concern that I have, like all members, I'm sure, is I have quite a few constituents whose children are in this and on the cutting edge—and not too thrilled about it, by the way. The experience hasn't been so great so far, going through the early years of high school. However, what about the fact that there will be twice as many graduates competing for what will arguably be the same number of jobs? How do we come to grips with that?

**Dr Rozanski:** My hope would be, and I'll let my colleagues join me, that by investing in university, the goal is that we will be expanding the number of jobs; that by the research we do, by the technology transfer, we will fuel the economy to create more jobs.

We have created many jobs. I would only add one example. During 1990 to 1998, even when one says good

times or bad times, if you look at the total new jobs created between those years, there were 2.1 million jobs created out of the post-secondary system, those who were post-secondary graduates. Those with a high school education or less lost a million jobs.

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**Mr Christopherson:** I still wouldn't want to be one in that group. If I had my druthers or if it were my daughter, I'd rather go one year before or one year after. I wouldn't want to see them out there, having to compete with twice as many graduates for the same number of jobs, because I'm not aware that there are any special plans being made around provisional jobs to get us through that. Now, again—

**The Chair:** I think I'll end the discussion, because we're running out of time, on your positive note that if you get a college education, your chances of getting a job—

**Dr Rozanski:** Particularly if they're graduates from the University of Guelph sitting up here. I see at least two of them.

**The Chair:** We won't talk about which year, either. Thank you.

## ONTARIO PHARMACISTS' ASSOCIATION

**The Chair:** Our last presenters this afternoon are representatives from the Ontario Pharmacists' Association. So if you could please come forward and state your name for the record. First of all, on behalf of the committee, welcome.

**Ms Barbara Stuart:** Good afternoon, Mr Chairman and committee members. My name is Barbara Stuart. I am the chief executive officer of the Ontario Pharmacists' Association—and a University of Guelph grad, so I had to go shake Dr Rozanski's hand.

**The Chair:** Good.

**Ms Stuart:** Thank you for allowing us to make our submission. I guess we're last on the agenda today. We'll be brief. I know you must be tired. Before we begin, I'd like to introduce my colleagues with me today. To my right is our chairman of the board, Mr Sal Cimino, who is a practising and licensed pharmacist in Ontario. To his right is Holly Rasky, who is our director of government relations and our general counsel on staff. To my left is Ruth Mallon, who is our senior director of pharmacy services.

The Ontario Pharmacists' Association, for those who don't know, is a voluntary, not-for-profit, professional association representing pharmacists and pharmacy students. We have approximately 5,000 active members in the association, although we represent all 9,000 pharmacists in the province.

With the government we have an official memorandum of understanding, which is an agreement between the Ministry of Health and Long-Term Care and the Ontario Pharmacists' Association, recognizing our association as the lead voice for pharmacists in the province.

We are a significant stakeholder in the health sector, certainly giving a lot of our time and attention at the front line, dealing with patients on a daily basis. We take the obligations of our memorandum of understanding very seriously. To this end, we constantly are searching for ways that we can help the government save valuable dollars, because pharmacists at the front line spend a great deal of their time during the day looking at medication use and how that's being spent.

Every year we participate in the pre-budget process. We view it certainly as a good opportunity to do so, mostly because we know that there are opportunities to save valuable health care dollars. We also know that there are other stresses that can be relieved at the front line with pharmacists having input. So it's to that effect that we're here today.

I want to talk about three programs that are up and running that we are very active members of, because they are significantly postured to make savings for the government. One that was launched this morning, and I'm sure you're well aware of it, is the Telehealth program. We are a key partner in that program. In fact, I left them this morning at 8 o'clock. The phones started ringing at 8:30. By noon they had 30 calls, and the number has not even been published yet. So I think we're off to a good start. Pharmacists are partnering with nurses to provide the medication information and expertise on the calls that the nurses are handling frontline.

In addition to that, we also are going around the province presenting seminars to our seniors in what's called the seniors' safe medication use program that was set up by the Ministry of Citizenship, Culture and Recreation, focusing primarily on seniors and their safe use of medication, which has been very effective thus far. We're also involved in another government program, with the clinical tobacco intervention program, where we're working with dentists and doctors in front line primary care provision, in trying to get patients to stop smoking, hoping that will in turn impact on the health care system.

We encourage the government to continue the support of these programs. However, we would also like to see the government initiate other cost-saving programs. Since we've been here five years running, there's a little bit of frustration with this particular presentation because this will be the sixth time we'll be presenting programs we have brought forward that would save the government significant numbers of dollars in terms of health care savings.

At this point in time I'd like to turn it over to our chairman of the board, who will share with you what those programs are, because they have not yet been implemented.

**Mr Sal Cimino:** On behalf of the board of directors of the Ontario Pharmacists' Association, I am very pleased to be here today. Pharmacists have an important perspective to offer, both as primary health care providers and as the owners, operators and employees of small businesses across the province.



The first thing I want to talk about is the future of two programs we have presented to this committee over each of the past five years—which still have not been implemented, as Barbara has mentioned—the trial prescription program and the prescription clarification program.

In March 1999, the Ministry of Health and Long-Term Care announced that it would work with us on these two key initiatives. Based on the effectiveness of these programs in other jurisdictions across the country, we are confident that these initiatives will improve patient compliance with their medications and reduce adverse drug reactions. This will lead to overall cost savings for the provincial government and improve health care for the people of Ontario.

Unfortunately, nearly two years later, these programs have not yet been implemented. The result is that the Ministry of Health and Long-Term Care is failing to take advantage of two programs that could (1) save potentially millions of health care dollars, (2) reduce the number of emergency room visits by patients with medication-related problems, and (3) improve the health of the people of Ontario.

The trial prescription program would allow pharmacists to use their professional expertise to ensure each patient gets the right drug and uses it appropriately. All ODB program patients receiving medication for the first time would be given an initial trial supply. The pharmacist would follow up with the patient to ensure that the claimant is tolerating the new medication and is taking it properly. If the treatment is safe and effective for that patient, the pharmacist would fill the remainder of the prescription. We estimate that each year that the government fails to implement a trial prescription program, it forgoes a saving of at least \$3.6 million, or almost \$10,000 each day.

The prescription clarification program would allow for the payment of a cognitive fee to the pharmacist for not filling a prescription where, in the pharmacist's professional opinion, and in consultation with the patient's physician, the filling of the prescription may be harmful to the patient. Examples of these situations include interactions with other medications the patient may be taking, or a previous history of an adverse drug reaction.

We estimate that each year the government fails to implement a prescription intervention program, it forgoes a saving of approximately \$500,000, or more than \$1,100 each day. You can refer to page 3 of our paper for references on how we calculated these numbers.

We had the opportunity to meet with the outgoing Minister of Health and Long-Term Care just before the cabinet shuffle to discuss this and other issues. Following that meeting, she provided us with a written commitment to bring these programs forward to cabinet by the end of this year. We hope we can count on your support for these programs.

The next issue I would like to address is drug pricing on the ODB formulary and the impact it has on pharmacists. Despite the fact that ministry bureaucrats say they froze prices on the formulary in 1993, this price

freeze is not being enforced. There is a growing list of products on the formulary, approximately 140 drugs, that have increased in price, both through actual price increases or through pricing related to packaging. In some cases these increases are over 100%—that's over double the costs we were paying before. In these cases, the price listed on the formulary remains the same, but the price at which the pharmacist can purchase the product exceeds the formulary price. The list includes high-volume products such as Tylenol 2 and Tylenol 3.

In our paper we use Lanoxin, a common heart medication, as an example of how much money the government is losing each year and how pharmacists are not being adequately compensated in this situation. If Lanoxin were available to pharmacists at the formulary price, the government would be paying just under \$2 million per year for this drug. Of that amount, 10% is a legislated markup on the product that goes to pharmacists to compensate for business costs such as inventory carrying costs. However, in the last year Lanoxin has more than doubled in price. The government is actually paying just over \$4 million per year for this product, and pharmacists are denied the 10% markup. We are only reimbursed for the amount we paid for the product, with nothing for the business costs we already mentioned.

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In addition to losing the 10% markup on approximately half a million prescriptions for Lanoxin that we fill each year, the pharmacist must go through a cumbersome procedure called "cost to operator" to recoup the cost of purchasing the Lanoxin. So there is an extra step we have to do, actually a couple of steps. This is time-consuming and takes us away from caring for the patients. We explain the administrative steps involved in carrying out this procedure in appendix D of our written submission.

This is just one example. As I said, there are approximately 140 products on the ODB formulary that are not available to pharmacists at the formulary price and require pharmacists to perform the cost-to-operator procedure and forgo appropriate reimbursement from the ODB plan.

The government has the legislative tools to deal with this issue. The regulations under the Ontario Drug Benefit Act require manufacturers to be able to continue to supply their products at the prices listed on the formulary as a condition of remaining on the formulary. I want to read the actual section for you from the Ontario Drug Benefit Act regulations: "The following conditions must be met in order for a designated listed drug product to continue to be designated as a listed drug product." Condition 3 reads, "The manufacturer of the product must continue to be able to supply the product at the drug benefit price in a quantity that is sufficient to meet the demand for the product."

Basically, the government is not enforcing its own legislation, and as a result the government is losing millions of dollars every year and has not instituted any measures to control spiralling drug costs. Whether the

government enforces its own regulations to address this situation or uses some other means, pharmacists cannot and should not be made to continue to subsidize the Ontario drug benefit program.

We are seeking full reinstatement of the 10% markup. In addition, we request a written commitment from the government to conduct a comprehensive review of the ODB, similar to its hospital restructuring initiative. The purpose of the review would be to achieve a more responsible and accountable approach to drug costing and distribution.

The next issue I would like to address is Ontario's economic climate and the shortage of pharmacists. It is essential that the government take immediate steps to stem the shortage of pharmacists in Ontario. One of the actions our government must do to attract and retain pharmacists in Ontario is ensure that pharmacists receive sufficient compensation. The government has not provided pharmacists with a raise in over 10 years. The current ODB dispensing fee of \$6.47 was set in 1990. A conservative estimate of the current cost to a pharmacist to actually dispense a prescription in Ontario is \$9.50 per prescription. This number will increase as the shortage of pharmacists impacts on pharmacists' wages—fewer pharmacists, costlier to hire one. The government must take immediate action to correct this discrepancy.

The government must also consider and take responsibility for the administrative impact government programs have on pharmacists; for example, the administrative burden associated with the government's limited-use program. This alone costs pharmacists approximately \$3 million out of pocket each year. Pharmacists must be compensated for their time. We will lose more pharmacists if we're not properly compensated.

The OPA recognizes that it must do its part to assist the government to achieve health care savings. Every year we propose a number of initiatives that we believe would achieve that end. In addition to pursuing the programs we already discussed this year, the OPA is proposing two programs: medication use reviews and an antibiotic resistance strategy. It should be noted that both programs were presented in the OPA's 2000 pre-budget submission, though to date the government has not pursued either program.

First I will explain what we mean by medication use reviews. Drug use varies among the population. For individuals who utilize a particularly high number of drugs, such as is the case with many seniors, the OPA proposes that the government utilize the pharmacists' expertise to implement annual medication reviews. This relatively simple program could, first, save the government millions of dollars by identifying and correcting improper medication use and waste; second, prevent possible interactions with other medications; third, optimize drug therapy; and fourth, again, improve health outcomes and the quality of life for the people of Ontario.

The second initiative we would like to work with the government on is a province-wide antibiotic education program. The OPA has been working collaboratively

with the private sector to implement an antibiotic awareness program across Ontario. The purpose is to reduce the growing threat of antibiotic resistance by educating the public on the appropriate use of antibiotics and various over-the-counter products, and highlighting the risks associated with antibiotic resistance. In short, the program seeks to reduce inappropriate antibiotic utilization and expenditures through education.

Programs we have run in communities such as Brantford and Belleville were highly successful in demonstrating a significant reduction in the inappropriate use of antibiotics in those communities. These areas respectively saw a reduction of antibiotic claims at a rate of 245% and 72% greater than the overall reduction of claims for antibiotics in Ontario during that pilot period. We anticipate we could produce similar results across the province if given the chance. We encourage the government to work with OPA on a province-wide antibiotic education program.

In conclusion, I would like to highlight our recommendations, which are also found in our written submission.

First, the government must get on with implementing the trial prescription and prescription clarification programs. Other new initiatives that will save money and improve health care, such as medication reviews and a province-wide antibiotic education program, can be easily implemented and should be discussed with OPA.

Second, the government must ensure that pharmacists are appropriately compensated or we are going to lose them to other jurisdictions or face a situation similar to what arose in Quebec. This includes the restoration of the 10% markup, increasing the ODB dispensing fee and paying pharmacists for time spent dealing with administrative burdens caused by government programs such as the limited-use program.

Third, the government should conduct a comprehensive review of the Ontario drug benefit program to ensure its viability.

Fourth, the OPA encourages the government to continue to support programs such as Telehealth and the funding of the medication information service, the seniors' safe medication use program and the clinical tobacco intervention program.

Chairman, I thank you and your colleagues again for allowing us to make this submission today. Any questions?

**The Chair:** We have approximately three minutes per caucus. Mr Phillips.

**Mr Phillips:** Thank you. A very thoughtful presentation. Many questions, but time is sort of limited. The first one would be on your comment on Lanoxin, as your example. Are you saying you actually have to purchase that drug for more money than you get?

**Mr Cimino:** Over double what we were paying last year.

**Mr Phillips:** But more money than you can receive from the persons who reimburses you?



**Mr Cimino:** No. The government has regulations in place that are supposed to stop manufacturers from increasing their prices or to make certain adjustments for increases. Nothing was done with these particular 140 drugs. They arbitrarily raised their prices, and what has happened is that we're now paying double what we paid for Lanoxin last year. We used to get a 10% buffer to offset any administrative costs. Now we don't even get the 10%. Obviously, on double the price it would be a little higher—it would be twice as much—but we're not getting that. But we are spending more money to purchase it, plus we have the administrative headache of tracking down the invoices to prove to the auditors that, yes, we purchased it at a higher price, even though they know the price has gone up.

**Mr Phillips:** On the surface, it seems that if the government is not living up to the legislation, there's almost a legal case. It's surprising to me that there hasn't been a resolution of this issue. What's holding up the resolution?

**Ms Stuart:** That's a very good question. We don't know.

The simplest way to describe the formula is, there's a mathematical formula and we'll use a very simple, basic example. On the drug formulary, if you were to purchase a drug for, let's say, \$10, pharmacists are entitled to their \$10 reimbursement plus 10%. In theory that should be \$11. Now let's say the same drug costs \$15. What they have to do is fill out a cost-to-operator form, which means they get reimbursed the \$15 but don't get their 10%. So if you take \$10 on the basic formulary plus that \$1—\$11—and subtract the difference, it's one of two things: the pharmacist is losing \$1 or they're subsidizing the system by \$1. Either way, they're out of the mathematical formula. We have raised this now for 16 months and still have not had the issue resolved.

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**Mr Phillips:** It seems like almost a legal matter, that they're violating the legislation.

**Ms Stuart:** It may become that. The point we're trying to make is that the drugs are becoming so expensive and the regulation is not being enforced, and that's our concern. The pharmacists are seeing it day to day.

**Mr Phillips:** You have at least two recommendations here of how you can help to limit the inappropriate use of drugs. Again, they seem like relatively straightforward things to me. What is the answer you get back from the Ministry of Health when you pursue them? You'd think almost on a pilot project basis that they're certainly worth investing in.

**Mr Cimino:** It's all been funded privately up until now. Pharmacists have taken it on with some of the pharmaceutical companies; local associations have done it. The response from the government is, "We'll do it," but nothing has gone on yet.

**Ms Stuart:** Administratively it seems to be where it's bogged down.

**Mr Christopherson:** One observation and two very brief questions. We've been hearing an awful lot of delegations come in and talk about a shortage of skilled workers, and we've heard from a lot of professionals and professions where people are leaving because they're demoralized over working conditions and a lack of decent income, or at least commensurate with their experience and their education. The observation would be that it seems to me we're now beginning to see some of the fallout of this government's very serious attempt to lower the value of labour right across the board. I've been one of those maintaining that in the Employment Standards Act, where it talks about minimum wage, you ought to care about that because everybody who is trying to reach for the ceiling in terms of the highest dollar they should get is going to find it that much harder to do if the government is constantly lowering the floor. It looks to me like here's yet one more profession where, because the government is not matching its financial obligations, your quality of life, the value of your labour, is lowering and that's causing demoralization. I'll leave that with you for a comment or not.

The two questions are these: I was curious as to what percentage, on average, of a pharmacist's income is related to ODB clients or business; the other one is on page 7, where you talk about the prescription clarification program. I have to say, and I'm just putting it out there, that what struck me was, when you said examples of these situations—meaning mistakes—include interactions with other medications the patient may be taking or a previous history of adverse drug reaction, that you think there is up to half a million dollars in errors that are related to that. I know that no profession wants to point fingers at another one, but I thought it would be the rare exception where a doctor for whatever reason has given a mistake or the wrong prescription or overlooked something, and yet, when we're talking half a million dollars, it suggests to me there's a problem.

**Mr Cimino:** That's not necessarily an error. Patients tend to take medications from more than one physician. If they're seeing a specialist and the communication hasn't been that good or the—

**Mr Christopherson:** The communication should be, though. It's expected that would happen, though, right?

**Mr Cimino:** Absolutely, but that's the implicit strength of having to go to the same pharmacist all the time: you have that record. Patients don't always go to the same pharmacy all the time. Because of convenience, they may stop someplace, so you don't have a full profile at times. Yet, when we have all the information, you can certainly intervene and make these recommendations with the physician's knowledge. It's not necessarily an error. Over-the-counter products, herbal products, which are huge now—alternative medicine sells products—the physician doesn't even know they're taking them. They're afraid to tell the doctor they're taking something because they're afraid the doctors—

**Ms Stuart:** That patient is afraid sometimes to tell the doctor, so the pharmacist is the other—

**Mr Cimino:** But they will speak to us on the front line. They're much more open to us. They always have been.

**Mr Christopherson:** Actually, I'm glad you've got good answers to that. It kind of worried me that that was what it said.

And on the ODB percentage?

**Ms Stuart:** It varies.

**Mr Cimino:** About 50%, 45%.

**Mr Christopherson:** About 50%?

**Ms Stuart:** Well, it actually varies. Some can be 50%, but it depends on where the pharmacy is relative to—

**Mr Christopherson:** Yes.

**Ms Stuart:** It could be even 90%.

**Mr Christopherson:** It's significant, nonetheless, across the board.

**Ms Stuart:** Some have 80% to 90% ODB recipients.

**Mr Christopherson:** Any thoughts or comments on the demoralization within the profession?

**Ms Stuart:** I think you've put it very well. Just to add to that, though, the physicians bumping into the nurses bumping into the pharmacists—with the shortage of nurses, that means pharmacists are doing more front-line work, so they're staying open longer and it adds to the whole equation of what their workload is.

**The Chair:** To the government side. Mr Galt.

**Mr Galt:** I'd like to explore just for a few minutes the trial prescription program that you're putting forward. I'm not sure why the Minister of Health is resisting, but I'm just curious on how it might or might not operate, particularly when I think of rural Ontario, where the pharmacy isn't exactly next door. It may be as much as 30 or 40 miles between villages in small-town Ontario to get to a pharmacist. I can see some difficulties there. You also hear concerns about even those on welfare getting taxis to go and pick up their prescriptions. This would possibly mean extra costs to them.

The other area I'd like you to respond on is how it would work with—and I've been told that in Europe, most if not all the tablets for prescription come in blister packs, so they're dispensed that way. In this way the medication is uncontaminated and, I would think, could be returned. Is that possible? Is that a way of handling it? Or is packaging it in blister packs extremely expensive?

**Ms Stuart:** You've asked a lot of good questions. The previous Minister of Health, Elizabeth, has been very supportive of the program's moving forward, and I can only hope and anticipate that Tony will be the same. It's not from the Minister of Health's perspective; it's administratively trying to move the program forward at another level. That's where our challenge has been. She's been fully behind our moving forward on the program.

You asked a good question, and I'm going to ask Ruth if she'll answer that, relative to the rural, because there are some exceptions that have to be included on the trial prescription administrative details of the program.

**Ms Ruth Mallon:** One of the things we've put forward all the way along is that there be an exception

from a professional point of view for pharmacists when they recognize that there may be an issue. The very last thing a pharmacist wants to do is interrupt therapy for someone who should be getting that proper therapy. In a case in a rural environment—in fact, trial prescription programs have been going on in Saskatchewan, and that's one of the things. There's a general override that can be done: "I'm sorry, this patient is just not going to be available. I'd rather dispense it and then I'll call her in seven days anyway to make sure the medication is working OK."

Welfare patients, by the way, are not anticipated to be part of this trial program. The first phase is a 30-day trial. Welfare recipients only get a 34-day supply maximum, so they wouldn't be affected by it.

As far as the blister packs are concerned, yes, as a practising pharmacist you often get patients who bring back those packages saying, "I didn't use it," even seniors. They hate to see waste because they were brought up in the Depression. The problem with that is that we can't legally re-dispense them. It's unfortunate, but one of the things some pharmacists do is that they collect them and give them to a company that gives them to Third World countries. As far as to Ontario citizens, we cannot re-dispense them.

**The Chair:** The time has expired. On behalf of the committee, thank you very much for your presentation this afternoon.

**Ms Mallon:** Thank you for your time.

**The Chair:** I don't have any further announcements, but just to remind the members that we do have transportation available in front of the building at 5:30. We should be there on time.

**Mr Galt:** Mr Chair, if I might make a request of staff. We were given a sheet by the secondary teachers' federation with some figures on it pointing out where Ontario comes with the average of the Great Lakes states. I'm wondering if we could have those figures checked by a neutral source.

**The Chair:** I think you probably should submit that sheet to the researcher.

**Mr Christopherson:** Is there some reason for that request? Is there a reason why you're questioning their data and nobody else gets a copy?

**The Chair:** There have been different requests made by different members in the past couple—

**Mr Christopherson:** I haven't noticed anybody since we started.

**The Chair:** Mr Phillips made a couple of requests, I think.

**Mr Christopherson:** Did he ask for material to be checked because he didn't believe it to be true?

**The Chair:** No, but he's asked for—

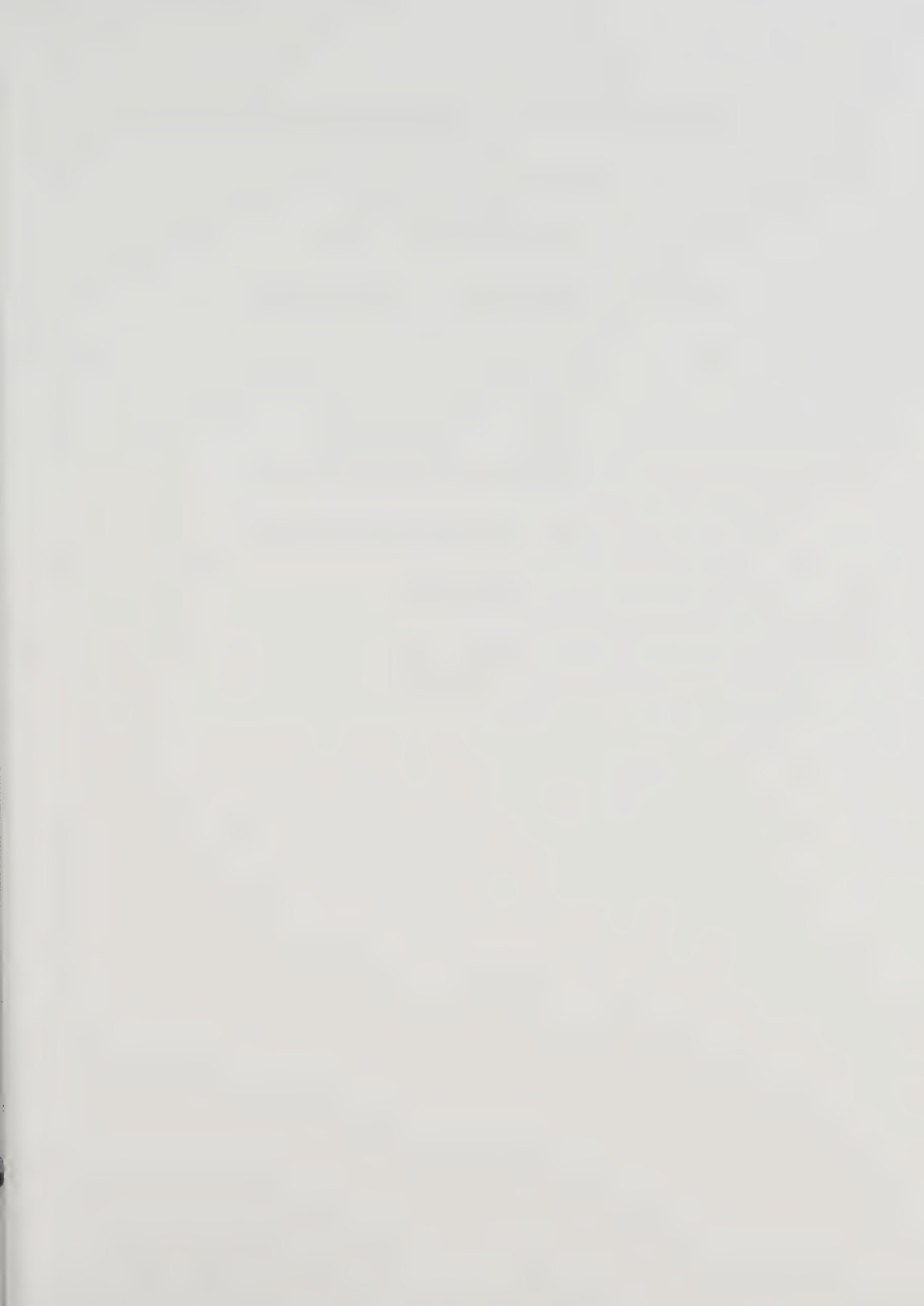
**Mr Christopherson:** What evidence—

**The Chair:** We'll adjourn until tomorrow morning in Thunder Bay.

*The committee adjourned at 1700.*











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## Legislative Assembly of Ontario

First Session, 37<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Friday 16 February 2001

# Journal des débats (Hansard)

Vendredi 16 février 2001

**Standing committee on  
finance and economic affairs**

**Comité permanent des finances  
et des affaires économiques**

Pre-budget consultations

Consultations prébudgétaires





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## LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS

Friday 16 February 2001

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Vendredi 16 février 2001

*The committee met at 0857 in the Prince Arthur Hotel, Thunder Bay.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning, everyone, and welcome to beautiful, sunny downtown Thunder Bay. You can't ask for a better morning than this, especially in the north. It's nice and cool.

The only announcement I have to make is, for all the members who have not checked out, we must check out by 11 o'clock. So make sure that you're out of there by 11.

## CITY OF THUNDER BAY

**The Chair:** Our first presenter this morning is the mayor of the city of Thunder Bay. Your Worship, if you could step forward and state your name for the record, and on behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Mr Ken Boshcoff:** Thank you very much, Mr Chairman. My name is Ken Boshcoff, mayor of the city of Thunder Bay. To my right is our city manager, Brian MacRae, and to my left is Carol Busch, our manager of finance.

First of all, I'd like to say welcome to our city. I know that many of you have been here before on several occasions; welcome back. We certainly appreciate you travelling to Thunder Bay to conduct these pre-budget consultations. This is a welcome opportunity to present the challenges and issues we face today and to comment on the fiscal and economic policies of the province.

My presentation will highlight the main topics covered in our detailed written submission. As you can see from the booklet, I would pretty much occupy most of the early morning should we decide to read it. But it's important to know that the details are in here, and we're very proud of the document and the research that was conducted for it.

The city of Thunder Bay has faced many challenges over the years; however, this year's challenges are extraordinary. Many of these challenges are related directly to global economic factors. However, some of course are specific to our city.

Two recent arbitration awards have significantly impacted the 2001 budget. Our firefighters were awarded a wage increase in excess of 13% for the period 1998-

2000. This significantly exceeded the 6% negotiated by the majority of other city groups for the same three-year period. SEIU members employed at our homes for the aged received a 9% increase for the period June 1998 to June 2001. The combined estimated annual difference between the increased cost of these two awards and costs that would have been incurred had the awards been consistent with other city settlements is over \$1.1 million per year.

Benefit costs are escalating as well. Health costs have been increasing at rates well above inflation. The increase in WSIB administration charges from 19% to 32% of the value of claims will result in additional costs of \$400,000.

The consumer price index increased approximately 9% in the last five years. In addition, there have been significant increases in certain commodities, including fuel and natural gas. With fuel prices up approximately 27% over last year, the additional cost on an annual basis is approximately \$565,000.

Over the last few years, many municipalities achieved balanced budgets by financing capital projects from reserve and reserve funds. Likewise in Thunder Bay, uncommitted capital reserve funds have been depleted to the point where opportunities that existed in the past to fund capital projects no longer exist to the same level as in previous years.

Our city has responded to the combined pressures of growing responsibilities and costs, scarce resources and public scrutiny by focusing on cutting costs and holding the line on tax increases. The municipal full service tax rate has increased only 1.2% since 1994. However, the city of Thunder Bay increased its capital out of revenue by approximately \$1.7 million as a result of the 2001 capital budget review process. A number of factors have contributed to this increase, including an aging infrastructure that needs to be maintained or upgraded to provide core services, a lack of uncommitted reserve and reserve funds, and a lack of provincial subsidy dollars for capital projects.

Local service realignment has brought about fundamental changes to provincial and municipal roles and responsibilities. Northern Ontario municipalities are generally disadvantaged due to the following: northern Ontario municipalities cover large geographic areas, which significantly increases operating costs; we have more severe weather conditions than the remainder of the province, which translates into higher costs, including



road maintenance and snow removal; we also have generally a lower assessment base.

Municipalities inherited many capital-intensive programs as a result of the LSR. Local government must now fund all road improvements and transit vehicle purchases.

The downloading of social services to our district social services administration boards will result in additional capital infrastructure to be maintained. We must state our fear regarding the devolution of social housing to the municipal tax base and concerns with respect to the potential liability associated with the housing stock and the financial impacts on our costs for social services in the event of a national economic downturn.

There are still outstanding issues to be resolved regarding items previously eligible for subsidy that are not eligible for the community reinvestment fund. In addition, we must have some assurance with respect to the level of funding on a timely basis, as delays in confirmation of funding levels are detrimental to good public service practices.

To further complicate the financial issues being experienced by the city, it is now facing a potential \$5.5-million shortfall in revenue as a result of the recent provincial reassessment. We experienced a drop in our total assessment base of 4.9%, with total taxable and grantable assessment dropping to \$5.8 billion from \$6.1 billion, a decrease of \$300 million. We have requested ministerial intervention to mitigate the impact of the latest reassessment and Bill 140's hard cap on levy increases in order to prevent the undue hardship that residential taxpayers will otherwise encounter: a projected increase of approximately 20% due to the shift in the overall tax burden on to the residential property class.

Under Bill 140, the Continued Protection for Property Taxpayers Act, 2000, there is a shift of responsibility from the Ontario Property Assessment Corp to lower- and single-tier municipalities. Municipalities must initiate a vacancy verification program, thereby placing further strain on the limited resources of tax departments.

There are several important issues not dealt with in the legislation, including: will new transition ratios be calculated to minimize inter-class shifts? What are the threshold tax ratios for the capped classes that will determine whether a hard cap applies in a given municipality? How will levy increases be determined?

We must emphasize the importance of receiving the Bill 140 regulations on a timely basis. A considerable amount of administrative time will be required to review and implement the requirements. If we must delay our final tax billing, there will be a considerable financial impact on the city of Thunder Bay.

At the same time we are dealing with emerging issues, we continue to deal with ongoing issues. There is a need for the province to commit to ongoing funding to help with the capital cost to improve our road and transportation system. From a provincial perspective, announcing new, major investment in our transportation and transit infrastructure demonstrates confidence in the

province's economic future and signals that Ontario is serious about remaining open for business.

SuperBuild and the federal-provincial agreement on infrastructure are partial solutions. Municipalities have yet to be informed of how the proposed billion-dollar millennium fund will or will not assist in dealing with our road and transit deficit. While these federal and provincial programs help, and we are grateful for them, there is much more that needs to be done.

Our city covers a large geographic area and is responsible for maintaining approximately 950 kilometres of roads. The cost to maintain them to city standards is \$5.22 million annually. Severe weather conditions contribute to higher road maintenance and snow removal costs, thereby exacerbating the financial issues. The city of Thunder Bay currently spends between \$12 million and \$14 million annually on transportation infrastructure, including roads, sidewalks and bridges, which is primarily funded from the property tax base. More than \$20 million annually is needed to meet present and future demand and improve present levels of service.

With deferred maintenance and rehabilitation of our road, sidewalk and bridge infrastructure approaching \$100 million, the ability to finance the required work poses a significant financial dilemma for the city of Thunder Bay. Likewise, the expanse of the service area, along with its long travel distances, the urban-rural nature of the city of Thunder Bay and the discontinuation of provincial grants, is making it increasingly difficult to provide cost-effective transit services.

The operation of a system of public transit is an essential social service. We must stress the need of infrastructure dollars to ensure cost-effective, efficient and safe public transportation. Canada is the only G7 country that does not provide infrastructure dollars for public transportation. It is important that all three levels of government work co-operatively to find a solution to the issue of public transportation.

#### 0910

Legislative changes have also impacted on the cost of providing other municipal services. We are now fully responsible for paying for local policing costs. However, the province subsidizes policing costs in smaller municipalities and unincorporated areas through capping police costs at \$90 per household. Capping of policing costs results in a significant inequity, as ratepayers in municipalities such as the city of Thunder Bay are paying the full cost of policing services through property taxes and contributing further, by way of provincial taxation, to the costs of maintaining the cap in other jurisdictions.

Even court security, costing \$460,000 annually, is now our responsibility under the revisions to the Police Services Act. Furthermore, the cost of having to transport prisoners, especially young offenders, to facilities with available beds is now costing our city over \$315,000 annually. We have also incurred significant costs as a result of the provincially mandated adequacy and effectiveness standards, including a quarter of a million dollars to meet equipment requirements; and we estimate the

additional costs for the new training certifications to be over \$370,000.

In July 1998, the Hotel Fire Safety Act was repealed and instilled in the Ontario fire code. Consequently, the responsibility for inspecting and enforcing the code in the city's 40 hotels and motels, as well as our four nursing homes, was downloaded to the city of Thunder Bay fire and rescue service. In addition to enforcement, the responsibility for education was also downloaded, with a total annual cost of \$45,000.

Two of our homes for the aged are D-listed. Current legislation requires these homes to become compliant by 2006. To do so will cost approximately \$10 million. There is an obvious need of infusion of capital funding by the province in order that capital costs are shared on an equitable basis.

With respect to the social housing issues, the senior level of government must continue to play a role. Through local services realignment, there is a larger municipal role. However, if needs are to be met globally, there must continue to be both funding and policy roles at both the provincial and federal levels.

The city of Thunder Bay has embraced the three Rs: reduce, reuse and recycle. However, today we are asking for latitude to do it in a fashion that would best suit our community. Regulation 101, which mandates how we recycle, focuses on the wrong R. Research of cases in Edmonton and in European countries found that diversion from landfill sites is far more effective than the blue box/curbside process that is currently in the province of Ontario. We strongly encourage the province to consider such an approach.

Our community is facing an immediate, critical situation in accessing physician services and in providing care to the people of northwestern Ontario. While the concern for recruitment and retention of physicians has been a concern for many years, it is now reaching crisis proportions. Training more physicians in northern Ontario is certainly the best response to this problem in the longer term. We are, however, in urgent need of support for immediate, short-term solutions that will allow our community to both retain current physicians and recruit new family doctors and specialists in seriously understaffed areas. As residents of Thunder Bay and northwestern Ontario, we urge you to respond to our community's and our region's critical and immediate needs. For us, this is truly a matter of life and death. The new Minister of Northern Development and Mines has been asked by the previous Minister of Northern Development and Mines to continue pressing the new Minister of Health to meet with representation from the city of Thunder Bay on this critical matter regarding physician and professional health care shortages.

We are anxious for the new Municipal Act to proceed. A new Municipal Act can set a valuable framework reassuring our common electorate that governments are working together and helping to renew respectful, good government. However, the city of Thunder Bay has some specific areas of concern with respect to the proposed new Municipal Act.

One proposed limitation is the restriction on a municipality's ability to create or hold shares in a corporation unless specifically authorized. This restriction certainly may limit the range of options open to municipalities for the joint provision of services under private-public or public-public partnerships. Section 265 provides a very onerous process of disclosing licence fees and the method of calculation, which is closely tied to the annual budget process. Section 266 is similar in that it ties the establishment of fees and charges to the annual budget process and requires a bylaw establishing such fees and explanations as to how the fees were established. These sections would result in a bureaucratic nightmare and would be very restrictive to every operation within the city.

Flexibility of the municipality to adjust as required is eliminated, and the city's ability to conduct operations in a responsive, businesslike manner is substantially impaired. In addition, the new Municipal Act does not appear to provide sufficient corporate capacity to allow Thunder Bay Telephone to provide telecommunications services as defined by the federal Telecommunications Act, thereby limiting our ability to provide services as would reasonably be expected from a telecommunications common carrier.

Municipally owned telephone systems should have the opportunity of entering and exiting existing and new lines of business. Our telephone company has long recognized the valued role that public and private sector partnerships play in the successful deployment of services to residents of northwestern Ontario. It is imperative that the proposed new Municipal Act allows municipally owned telephone systems to own shares.

The proposed act restricts the ability of municipally owned telecommunications common carriers to fulfill their federal mandate. We are concerned that the proposed legislation will further impair the ability of the residents of northwestern Ontario to access the telecommunications services required in today's knowledge-based economy and contribute to a further erosion of the region's quality of life.

In this new millennium, local telephone companies are faced with more challenges than ever before. With the advent of local competition and the potential erosion of traditional sources of revenue, it is imperative that locally owned telecommunications common carriers be given equal legislative rights to pursue new business opportunities.

We are supportive of the following issues that will be raised by Development Thunder Bay, including encouraging the government to provide adequate funds to the Ministry of Northern Development and Mines to carry out its economic development function; increasing funding to our educational institutions, our regional hospital, the Northern Ontario Rural Medical School and the Northwestern Ontario Development Network. We support reactivation of the heritage fund, especially the inclusion of infrastructure access to destination tourism as a funding component; and designing an investment



mechanism for venture capital for uses in northern Ontario communities.

There is a definite need to be able to expand the revenue sources available to municipalities. In that regard, we suggest amending the Public Utilities Act to permit sanitary system or drainage system utilities, thereby facilitating movement to a full user-pay structure. User fees should be set so that those who consume public services pay for them. Easing the tax burden on lower-income individuals is more equitably and efficiently handled through income transfers from the provincial government or through local social assistance programs targeted to specific groups, rather than through setting user fees at a level below the cost of the service.

0920

There are solid economic arguments for the implementation of provincial legislation permitting municipalities to levy new taxes as a supplement to property taxes. A municipal fuel tax, piggybacked on to the provincial fuel tax, makes economic and political sense, especially in areas with considerable road and bridge infrastructure needs.

While the city of Thunder Bay strongly supports the concept of performance measurement and best-practice emulation to the extent that we are voluntarily participating in ICMA and the CAO's benchmarking initiative, we do have reservations about the approach that the province is taking. Performance measurement is a long-term, results-oriented management tool to be used to highlight success and identify areas for improvement. Because of the unclear definition of costs and the lack of a common methodology for cost allocation, the results achieved are not comparable. Consequently, there is a risk that the report card will be used in a punitive manner. We urge the province to take a leadership role in educating the public and politicians about the uses and limitations of comparative performance measures.

Considering the significant progress that has been made by the municipal CAO's benchmarking initiative, it may be prudent of the province to consider partnering with that group to refine the data collection process and resolve cost allocation issues to achieve a true apples-to-apples comparison.

Members of the standing committee, the city of Thunder Bay is committed to providing high value municipal services through forward-thinking policies and effective management. To do this, we also count on the province of Ontario for support and effective policy-making. We greatly appreciate that the standing committee's report to the House will include an understanding of the north. Thank you very much.

**The Chair:** Thank you very much, Your Worship. We have approximately two minutes per caucus, and I'll start with Mr Christopherson.

**Mr David Christopherson (Hamilton West):** Thank you, Mayor. I appreciate your presentation. I was drawn to page 14, where you talked about the fact that "easing the tax burden on lower-income individuals is more equitably and efficiently handled through income

transfers from the provincial government, or through local social assistance." I just wanted to bring to your attention that we had an economist in a couple of days ago who pointed out that one of the things that makes Canada and Ontario work is the income redistribution that we have. Because there is such a growing gap between the very wealthy and the very poor—the gap is one of the greatest in the developed world. If you take just the gross income of the top 20% versus the lowest 20% income earners, it's a 27:1 ratio. By the time you finish doing the transfers, the public services that we provide, our progressive income tax system, at the end of the day, you end up with a ratio at 4:1, which starts to even things out a little bit, and that's why overall there is a better standard of living.

Is it your clear understanding that if things follow through the way they are, and you don't get relief in the areas you've outlined here today, you're going to have to implement more and more user fees in order to offset your costs and thereby at the end of the day, if every municipality had to do that, it would probably leave us with a different ratio and therefore a whole different quality of life across the province?

**Mr Boshcoff:** I think a couple of us will answer that. From the political standpoint, certainly the pressure is on for municipalities, and for us to try to find revenue sources becomes more and more difficult, which leads us down only a certain number of paths that we have open to us, unless we get some measure of support from the senior levels. That's really where we're coming from philosophically. We would probably not have to implement so many things if the pressure was off, but the pressure is on, and it's on severely. So we have to look at ways of doing this, which leads us to the inevitability of user fees.

**Mr Brian MacRae:** I think the other aspect here is that we are looking and need to continue to look for non-tax revenue sources, which translates into our need to establish a broader range of user fees for a number of the services that we provide. We are suggesting that we don't want to be constrained from putting an appropriate user fee in place because there isn't enough focus on income redistribution at the more senior levels of government.

**Mr Christopherson:** Right. Thank you.

**The Chair:** The government side.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation. I have just a couple of questions. One, I was interested to hear the results of the recent arbitrations that you had with the firefighters. Before this government was elected, the arbitrations were decided upon a number of specifics that they had, and this government introduced a number of regulations. One had to do with the ability to pay for those who were paying for the settlements and also comparison factors with others within the field. It surprises me to hear that an arbitration was settled in such a vast—so if you could just comment a bit on that.

**Mr Boshcoff:** I'll tell you now that the Association of Municipalities of Ontario, Northwestern Ontario Muni-

cial Association—just about every municipal organization—has been sending resolutions in fairly strong terms to the government as a result of several of these arbitrations that have occurred across the province, because in almost every case the argument about ability to pay has been ignored by the arbitrator. Our concern is that these are very heavy. The provincial government sets out a standard saying this is where you should be; municipalities similar to ours try to bargain along those lines, it goes to arbitration and the costs inevitably are higher.

**The Chair:** Thank you very much. Mr Kwinter.

**Mr Monte Kwinter (York Centre):** Thanks for your presentation. You said you were very proud of it, and you have every right to be. It's very comprehensive.

I have a concern and it sort of runs throughout your presentation. You keep talking about user fees, municipal fuel taxes, and each of these, whether it be called a user fee or a tax, is a tax. The same person is paying it. As a politician, do you feel comfortable with doing that? Do you feel that this is something people will accept?

**Mr Boshcoff:** No, I don't feel comfortable about it, Mr Kwinter, but we—and I say “we” as I'm also on the board of the Association of Municipalities of Ontario—as municipal representatives, are against the wall. Our reserves have been essentially used up. We've gone through many years of cost-cutting and trying to hold the line on taxes so that what we are left with now are very few tools to try and sustain municipal finances.

It is one thing to have special funds come along—those are great, don't get me wrong—but to me it would be a lot better to have a predictable, stable level of funding that came out well in advance of when municipalities prepare their budgets. The bottom line is—am I comfortable with it?—I certainly am not, and I wish we didn't have to go that way. The entire gist of our presentation today is that if we are going to have a new Municipal Act with new responsibilities, then it would have to have a greater understanding of the role of the province in funding major infrastructure for municipalities and stabilizing that funding so that we know it's coming, we can plan for it and we know when the tax bills can be sent out, which is also a costing for us.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

**Mr Boshcoff:** Thank you.

#### TOWN OF FORT FRANCES

**The Chair:** Our next presenter is the mayor for the town of Fort Frances. Your Worship, if you could come forward and state your name for the record, please. On behalf of the committee, welcome, and you have 30 minutes for your presentation this morning.

**Mr Glenn Witherspoon:** Good morning, and I too welcome members of the finance and economic committee to northwestern Ontario. I understand that the Chair might have had a little fortune at the casino last

night? A little birdie told me. I too had some fortune, so it's great.

**Mr Christopherson:** Did you win last night?

**Mr Witherspoon:** Didn't he tell you that?

**Mr Christopherson:** No.

**Mr Witherspoon:** What a guy.

**Mrs Molinari:** It's on the record.

#### 0930

**Mr Witherspoon:** Today I speak to you on three different subjects, and I repeat some of the sentiment the former speaker, the mayor of Thunder Bay, spoke about regarding the impact of Bill 140 and the new reassessment on smaller municipalities. I'll also speak to you on directing exported northern dollars into local small businesses and the future of our district jail. I bring the last subject up because I take every opportunity to speak to various levels of government, in attempting to get decision-makers to Fort Frances, about the future of our jail because it has a big economic impact, especially where we are located.

First of all, Bill 140 restricts the property tax increase on commercial, industrial and multi-residential properties if a municipality's tax rate is above the provincial average, as is the case in Fort Frances and in 85% of municipalities throughout the province. Any tax increase needed to continue the standard of service must then go to residential properties. Fort Frances and the Rainy River district probably have an average age older than the majority of municipalities in all Ontario, and additional burdens on residential property taxes will be very detrimental.

I agree this is a fair bill when one thinks about Ontario's competitive challenge in the world today, and I applaud the government for doing this. However, the end result of reassessment and the moving of such huge dollar figures in one year has left small municipalities with a balancing nightmare. Such is the case in Fort Frances. Over \$400,000 was removed from the industrial tax base and now must be put on the backs of residential taxpayers. We basically have our paper mill, Abitibi-Consolidated, which contributes about \$3 million a year to our taxes. We raise \$11 million to \$12 million in taxes municipally. Moving \$400,000 of that, plus constraining any increases we will have on commercial, multi-residential and industrial, makes it very difficult.

The province must provide a fund over and above the community reinvestment fund. Creation of a short-term, special-circumstances fund is required until a more equitable plan can be established locally. I re-emphasize that we did have a special-circumstances fund in place two years ago, and it was discontinued.

I found out about Bill 140 while attending the Rainy River District Municipal Association annual meeting. Our member, Howard Hampton, presented us with a document in regard to Bill 140. I emphasize that Bill 140 is needed to be competitive, but prior knowledge, probably a little bit of input and the tools to make it work are needed. I'll re-emphasize that.



The 10-5-5 taxation regulation over the past three years has worked in most cases. The impact on municipalities is such that we need help in order to maintain a zero per cent tax increase while continuing to maintain a service which the citizens of our province truly deserve.

I take pride in saying I'm in my 10th year as mayor of Fort Frances. We've had one tax increase, that being to pay for a debenture for a new sportsplex, a new theatre and a secondary treatment plant. Other than that, we have been able to maintain a zero tax increase. But with these changes coming, I have to emphasize again, we need help. It doesn't have to be continuous. CRF needs to be continuous because of the transfer of services, which again we take open-heartedly because we've always wanted to take a crack at social services and whatnot, and it's working well. But in this case we do need help.

The second part of my presentation: I've been dealing with our Rainy River Future Development Corp, which does the economic development for the Rainy River district. They are hired under contract by the town of Fort Frances. We find it is very difficult for capital ventures and whatnot to get local money for our small business. Currently all money that is invested by area residents through their annual purchase of RRSPs is invested in mutual funds, money markets or stocks. For Fort Frances and the Rainy River district alone, this amounted to approximately \$11 million in 1991, with significantly more being invested by the year 2001.

Currently only three district businesses are listed on the stock exchange, other than mining companies. These are Abitibi-Consolidated Inc, Normiska Corp, and Voyageur Panel through Boise Cascade Corp. This is only a small percentage of local monies that, if actually invested through RRSPs in the region—the north is exporting its investment dollars, like our youth, to southern Ontario, Canada and abroad.

Two other examples of local dollars going south to benefit urban Ontario and the rest of Canada would be the Ontario municipal employees' pension plan and the Ontario teachers' union pension fund, one of the biggest in the world, which invest northern Ontario investment dollars elsewhere in Ontario and Canada.

In order to stimulate development across the north, Ontario must work with Canada to develop a mechanism which will allow northern residents to invest in northern businesses and obtain RRSP tax credits. One example is the labour-sponsored investment funds, such as the Crocus fund in Manitoba. These funds have been able to redirect significant RRSP dollars into local businesses. This example has been so successful that it has grown over \$200 million since its inception in the late 1980s. Investors obtain both an RRSP credit and an additional provincial tax credit, which increases their RRSP refund. This upfront return on investment makes such funds very attractive as part of a portfolio, and investors will lock in their money for up to eight years in order to gain a benefit.

Unfortunately Ontario's fund, the Working Ventures fund, does not appear to invest in northern companies. To

the best of my knowledge, the only company in which it has invested is in North Bay. With its great rate of return—7% as of last week's National Post, as compared to the Crocus fund's rate of return of 0.5%—the fund may be working well, but it is not working for northern Ontario. We need our own vehicle for investing in northern companies, big and small.

Another mechanism which I believe is essential for northern Ontario's future is the creation of the ability for our entrepreneurs to roll over a portion of their RRSP funds into a small business. If this were possible, it would give potential entrepreneurs the opportunity to use their own money to invest in themselves. Currently an entrepreneur must cash an RRSP and pay whatever taxes are applicable prior to being able to use the money in a business. He or she must finance the difference between the RRSP before and after taxes in order to do the project. This places an undue financial burden on the new venture which would not be there if the total RRSP amount could be used. These funds would be tracked by Revenue Canada, as the entrepreneur would always owe a minimum tax to Canada. I believe this would be an inexpensive way for Canada to generate business and create jobs, especially when we compare it to having the system allocate monies to business, eg, Canada jobs fund of late.

I am seeking the assistance of Ontario in forwarding such initiatives in order to create a strong northern Ontario economy.

The third subject I'd like to talk to you about today is the closure of the Fort Frances Jail, which was announced in May 2000 by then-Minister Sampson. We've had various meetings at the municipal level, and I've talked to Deb Reid in the minister's office several times. The minister was scheduled to come to Fort Frances, and then he had to resign his post. We have a new minister in Norm Sterling, and we look forward to his visit to Fort Frances and area to see the infrastructure that is there.

I present to you today some letters from the lawyers' association of Fort Frances and the Rainy River district, also from the people who work at the jail, as to the importance of the jobs and the economy it will create. We have 23 people who work in the jail, with a budget of about \$1.5 million. This is going to be very important when it comes to the new budget, but the province has said they will save approximately \$300,000 or \$400,000.

**0940**

If you read the documentation that is presented to you in the plan we have, we need to work together. I've talked to the mayor of Pembroke and they are attempting to put a package together, but if you consider that the province will pay \$1.1 million to transport prisoners and then they'll have the same expenses at the other end with regard to clothing and housing them and the extra security that will be needed, I feel that indeed it's not a financially prudent decision. All I'm asking today is that you take the message back, especially the people of the government, to the new minister and to the cabinet people who are going to be putting the budget forward

that we request a meeting in Fort Frances. It is the gateway to northwestern Ontario.

I have a letter here that states what some of these conditions will mean, especially to tourism. Carrying a .45 in an RV is daily life for an American. So if he comes to the border and is asked, "Do you have any firearms or whatnot?" the majority of them say no, because they just carry them. It's a way of life. If they do an inspection, and the guy could be a brain surgeon from Chicago, a pretty high-profile person, and they say, "Well, we've got to arrest you because you didn't declare your gun, but, I'm sorry, you're going to have to go 300 kilometres or 420 kilometres to a jail in Thunder Bay"—where there are over a million people a year using our crossing, it's imperative that we maintain the system we have. If you say to this doctor, "We'll have to take you to Kenora to lock you up. You can't have a hearing until Monday or Tuesday," they're never going to come back. These people are not all criminals.

All I'm saying is that if they close a jail in southern or northeastern Ontario, with a proximity of 50 kilometres or 60 kilometres from one jail to another, that is not very significant. It is very significant—the district of Rainy River deserves a jail. I can't emphasize it enough. For example, yesterday the Prime Minister said to a group of students in China, "The economy is based on a strong judicial system." The same position stands in Fort Frances. Judicial services include local jail services. Fort Frances has had local jail services for approximately 100 years. The Prime Minister says that the judicial system is needed, and we're depleting our infrastructure by moving this.

We will be a partner. We will invest money; the private sector will invest money. We just need the government to come and see what we have, and we can work as a team. We know our jail is antiquated. We know we need a new one. We're willing to house a youth detention centre; we're willing to house a women's jail. We're willing to work together and be a partner, but we need help and we need it now, before 2004 comes around.

That's my presentation, sir.

**The Chair:** Thank you, Your Worship. We have approximately three minutes per caucus, and I'll start with the government side.

**Mr Steve Gilchrist (Scarborough East):** Thank you, Your Worship. We appreciate your coming forward.

I'm impressed with the proposal of the RRSP for the north. Let me ask you, as a corollary to that: given that 10% of the population of Ontario is Sudbury to the Manitoba border, should there be a regulation compelling the existing municipal and provincial public sector unions to invest 10% of their resources in some way into the north? They got the money there. Would you agree it's only fair to—

**Mr Witherspoon:** I'd agree with that, and it would probably be a first step.

**Mr Gilchrist:** It would be an impressive first step. The teachers' union alone would be investing \$6 billion

in the north instead of in office buildings in downtown Toronto.

**Mr Witherspoon:** That's correct.

**Mr Gilchrist:** So I appreciate that suggestion. That's the value of these hearings, getting good ideas like this that we might otherwise not have seen.

**Mr Witherspoon:** We don't want to go all the time to Queen's Park with our hand out. This would just eliminate one hand.

**Mr Gilchrist:** I appreciate that. That's the sort of suggestion we particularly like.

The other question comes back to something Mayor Boshcoff raised as well, and that's the issue of Bill 140. My apologies that I didn't bring the detailed mill rates for your municipality.

**Mr Witherspoon:** I have them here.

**Mr Gilchrist:** Are you above the provincial average in the other category?

**Mr Witherspoon:** Yes, we are.

**Mr Gilchrist:** Are there specific reasons why that transpired over the years?

**Mr Witherspoon:** I've been involved for 15 years municipally, and in that period of time we've really held the line, but in the 1960s and the 1970s it was willy-nilly, and probably commercial and industrial were the least resistant. They didn't have as many eyes or as many mouths to bitch at the politicians, so that was easy prey. This is why we're in the state we're in today.

**Mr Gilchrist:** As a last point on this question, you talk about a transition period and the need to manage your way through this. I do have your total assessment base; it's about \$375 million. Clearly, while there is a shift, \$400,000 divided over that base isn't all that big. What sort of time frame—

**Mr Witherspoon:** For taxation purposes it represented, actually, a 4% increase, but what we did was reduce another \$200,000 out of the operating and took the additional 2%. For this year alone we said we had to raise our taxes 2%, but now, with Bill 140, in the second billing the 2% will come off the industrial and commercial and have to be put on to residential.

**Mr Gilchrist:** What will that translate to?

**Mr Witherspoon:** Probably another 2% will be another \$50 to \$80 per household.

**Mr Kwinter:** Thank you very much for your presentation. I have some concerns about your proposal on the RRSPs. The whole thrust behind an RRSP is to provide a vehicle where people can invest tax-free dollars for their retirement. The fund managers who manage these funds try—you wouldn't know it by the stock market today and what's been happening lately—to get a reasonable return and as secure a return as they can for their investors. Capital goes where it can get that return, where it can get it at the least risk and the greatest return. Capital has no allegiance; it has no love; it goes where it can go.

My concern is that if you tie an RRSP to investment in the north, you set up the situation where investment is made not because it makes any particular sense but



because emotionally you want to put the money into the north. If a decision is made by some multi-conglomerate that they have to rationalize and they shut down a mill, they say arbitrarily, "We're shutting the mill in Rainy River," but it had nothing to do really with the specifics of that particular company. You hear it all the time, where a company closes a plant, the workers say, "We are one of the most efficient plants you've got," and they say, "Don't confuse us with the facts. We have our corporate strategy in shutting down." Suddenly, all of these people who are depending on a return for their investment are left without it.

I think there's a role for government to play. This is where you spread the risk over everybody and, as a matter of public policy, you set up a development fund for the north. But it isn't tied to individual residents of the north who have to literally gamble their future on what happens there. They should be able to mitigate the risk and have a relatively safe investment.

You really have to think that through, because there are some very serious potential repercussions of trying to promote that kind of thing, where people say, "I know I can get a better return somewhere else, but I have a responsibility to the north and I'm going to invest my money there whether I lose it or not." I think that's a role the government should take; I don't think it's a role the individual should take. I'd like to hear your comments on that.

**Mr Witherspoon:** As you know, most of the industry in the north would be natural-resources-based. We've just recently hired Paragon consultants out of California to do economic feasibility, and the natural-resources-based industries look a lot stronger than the techs in southern Ontario today, if we watch the stock market.

0950

We do have some good companies in the north that require capital funding. It would behoove the government to work with the federal government to create a body that would disburse a fund to invest in the north which could be RRSP-compatible. That would be great. That's my report to you.

**The Chair:** Thank you very much.

**Mr Christopherson:** Thank you, Mayor, for your presentation. It's unfortunate he's not here—I don't want to talk behind his back—but I'm sure he'll return in a moment after doing his clip. It's interesting that for the government member suddenly, when you talk about \$400,000, it's not so much money as long as it's your budget that it's coming out of as opposed to his. What crossed my mind when you said that the 2% could turn into \$50 or \$80 a year—I spent time on municipal councils, so I understand the relationship between municipal and provincial. It's got to be infuriating—I know it is in my community of Hamilton—to have the government make as their main gift, if you will, as they see it, to the people of Ontario all of these tax cuts, but at the end of the day they're causing increases elsewhere. Everybody else is having to raise their rates and they're taking the heat. The mayor who was here before you spoke of user

fees that are having to go up and how that has a detrimental effect on the lowest-income members of your community.

Anyway, I'll leave that with you. If you want to comment on that, I'd appreciate hearing it. But I do find it frustrating, on behalf of municipalities and other transfer agencies, that the government stands there and says, "We cut taxes; we cut taxes." You know, cutting budgets is easy, really, if you don't want to think about it. You just take your red pen and start stroking and there you go, you've cut the budget. But at the municipal level of government, where you're actually there to provide the services on the ground, you either cut those services or you have to increase. I'll leave that with you.

Also, on the issue of the Fort Frances Jail, I've been there.

**Mr Witherspoon:** In the jail itself?

**Mr Christopherson:** Yes, although I was able to come and go as I wanted, but I was there.

**Mr Witherspoon:** Saturday night.

**Mr Christopherson:** No, actually as the minister at the time. It's a real dilemma, but one of the reasons we backed off from a lot of the closures was because of the economic impact. It made sense, corporately, for us to do a lot of the things this government is looking at. Those plans were in front of me too. So it looked good for us and it would have made my ministry budget look good and therefore would have helped the government, but there was a really negative impact, particularly the farther you went out from Toronto. The farther you went out, the greater the impact, whether you went east, west or to the north.

These jails are older and they require investment, and I know it's difficult, but I would suggest, and I wouldn't mind your comments, that the government has an obligation to recognize the impact on the local economy. Your financial responsibilities don't end at your own budget when you're a senior level of government like the province. You've got an obligation to make sure you're putting in place measures and doing things that support local economies in the community, because at the end of the day the province is merely a collection of all our municipal communities. So some of your thoughts on that would be appreciated.

**Mr Witherspoon:** We'll go to your first question first in regard to tax implications on the \$400,000. I believe that the municipal level of government is the most important level of all three governments when it comes to the individual people they serve. They can see us, they can touch us and they can bitch at us every single day. The implication of the \$400,000 is very significant. Like I mentioned in my presentation, we need a tool to get us through this. We take pride in developing the service that people have, and taking \$400,000 out of our operating or future capital purchases is devastating.

In regard to the jail in Fort Frances and the impact economically, one of your two words here is "economics," your committee that's looking at economics for the future. It's very important that we maintain this

infrastructure part. We have a beautiful courthouse, we have a beautiful civic centre and we now have infrastructure for recreation, for culture. I challenge any community our size to go against our infrastructure, but we also need the social part of it—we are right on the border—in tourism, and the government of the day is promoting tourism. We have a million people come and we just can't take that aspect of it out of where we are. The weather is severe here. It could be blowing and we might have to transport 10 people today who are a little less than reputable, and if we have an accident and they're out on the road—we need the jail and we need it in Fort Frances, especially on the border. I just can't emphasize that enough.

**The Chair:** Your Worship, on behalf of the committee, thank you very much for your presentation this morning.

**Mr Witherspoon:** Thank you. Enjoy your stay in Thunder Bay. You can always bring this to Fort Frances.

**The Chair:** We were in Kenora last year, a little closer.

#### THUNDER BAY HOME BUILDERS' ASSOCIATION

**The Chair:** Our next presenter, the representative from the Thunder Bay Home Builders' Association, just came into the room. I will ask the gentleman to come forward when he's ready and to state his name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Mr Ray Williamson:** If they hadn't told me you guys were going to be buying houses, I wouldn't be rushing so fast. I don't do this for a living.

Thank you, Mr Chairman. My name is Ray Williamson. I'm President of the Thunder Bay Home Builders' Association. I've been building homes and have been exposed to home building in this city all my life. I specialize in a whole pile of different areas. We're into the high-tech area of telecommunications. We also do revitalization programs on the development of communities. So we build more than just homes. Basically, I'm a volunteer, along with 3,500 other volunteers, for the province of Ontario in the home building industry through OHBA, the Ontario Home Builders' Association. I really appreciate the opportunity to speak to you today. I'll make my report very brief, which is almost impossible, because once I get going it's pretty hard to stop. Like I said before, the Ontario Home Builders' Association represents 3,500 members and they probably contribute toward the neighbourhood of 180,000 jobs in Ontario.

Here are some of the areas I'd like to get into. The major highlights of 2000 include: start-ups were up across the province, with some areas showing significant gains. Some of the larger increases were found in Kitchener, Ottawa-Hull, Oshawa and Toronto. However, there were few communities that experienced decreases in starts. Here in Thunder Bay we were down about 34%.

In Sudbury they dropped about 13%. So much of Ontario is booming, and we in the north continue to struggle with a sluggish housing market. Multiple-family construction was up about 9.4% in 2000, compared with the previous year, and single, detached starts increased by 4.2%. However, rental housing construction is still stagnated, despite Ontario's robust economy and incentives brought forth by the provincial government.

One of the contributors to a healthy new housing market in Ontario can be attributed to the success of the land transfer tax rebate program for first-time homebuyers of newly built homes. Since this measure was first introduced in 1996, about \$106 million in rebates was given to over 78,000 Ontarians, which assisted them in the purchase of their new homes. This, in return, contributed to the growth in the new housing market. We congratulate the government on making the rebate program permanent in last year's budget and helping to ensure that housing remains affordable for first-time homebuyers.

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Every year, the Ontario Home Builders' Association conducts economic forecast surveys with our members. The November results of that are included as an appendix to our submission, which I think everybody has. Nine of the 10 members surveyed expect sales to increase or remain the same in 2001 compared to the previous year. The optimism is reflected in OHB's forecast for 2001. We expect 70,000 starts this year, which represents the fourth straight year of growth. We need some of that here. In Thunder Bay we have a really good council, we have a lot of people with vision and we're struggling to get our economic growth stable. We're struggling to achieve that especially in the housing market.

With industry cutting back—and we've become so dependent on industry. The infrastructure of a town like this is dependent on mines, the mills and elevators. When they start cutting back at Bowater from a 3,000-person workforce to about 800, and then you have the elevators, from around 3,200—I'm not sure of the exact numbers, but around 3,000—to about 400, where do you find jobs that pay that kind of money? What happens is that the market starts to slow down quite a bit because you don't have the jobs that pay that kind of money to stimulate it. Our council has the vision to try to stimulate and get industry back into the community. Because we're centrally located, I think that's going to help out a lot.

Renovation spending continues on an upward trend even in Thunder Bay. About \$10.5 billion was spent in this sector last year in the province. We predict renovation spending will climb to about \$11.5 billion in 2001.

Ontario's economic performance has been impressive over the past year. Low mortgage rates and strong job creation fuelled consumer confidence and encouraged the new homebuyer to buy in this market. While generally optimistic, enthusiasm for the coming year is tempered with concerns over labour shortages and rising costs of material and skilled labour. These increased costs, com-



bined with new taxes, fees and charges, could hinder future growth. More than 60% of our members cite increased labour costs as an impediment to growth for 2001. Almost as many as 58% are experiencing difficulty finding skilled labour.

That brings me to another issue on skilled labour and the educational system. I dropped off a report where you can see that basically the provincial government has been entrusted with the stewardship of educating our kids. We can't forget the fact that skilled labour is our bloodline. If we don't have people coming into the industry in carpentry, plumbing, heating, whatever—the average age of an apprentice is 27, and the average age of a bricklayer is 55. We're not doing enough to get those kids interested in the programming early enough. We used to be in there in grades 7 and 8. Those programs were cut.

There are further hindrances in our sector with the Ministry of Labour not allowing kids under the age 16 on a work site, even under controlled supervision. If you go in like it was before, where you could bring in children when they're making their initial—at 14 they get introduced into the high school system. That's when they start making career choices, and that's when you have to get them. We can't all be behind a computer or behind a desk. Our industry's strength is also through the bloodlines of skills and labour. We have to do something that's going to perpetuate that into the 21st century so that we're strong. No matter what else we do, our kids are our future. In Thunder Bay right now, we're not experiencing a booming housing market, and we had a shortage of skilled labour about three months ago because one of the mines pulled most of the guys out of it. Again, when we get into the labour aspect we have to do something that's going to continue to develop that in the educational system.

Thunder Bay Home Builders' Association is fully supportive of the Ontario Home Builders' Association recommendations that are intended to make sure the residential housing and renovation market remains strong in Ontario.

Development charges: we've been very fortunate with our mayor and council and the staff. We haven't been subjected to development charges, and I think that is a hindrance in most situations. We need it, but we always have to maintain control over it. In some situations in Thunder Bay we've been fortunate enough that councils didn't implement it, and that could be set as a role model. How they are able to get funds from other areas to supplement that should maybe be taken in other communities. With the Development Charges Act, people are having a tough enough time buying a house. We've got to remember the Canadian dream is home ownership. Throughout the world, people don't have the luxury of having homes, and we're very fortunate to do that. If we don't have controls like some of the communities I've been involved with—I actually chair all of Ontario for health and safety and I'm on the board of directors for CSAO, so I go down east quite a bit and I see what's happening to the industries in Barrie and

places like that where the government hasn't stepped in and said, "You can't do it." They let them go wild with some of these development charge acts. What it's going to do is, you've got a perpetual motion right now of people buying, but once it stops it's going to stifle it and you're going to go back into a recessionary period. We don't need that. The time to re-evaluate that and implement controls is now.

I wrote all this stuff, but I just got back from Toronto myself. I had other stuff and I'm trying to get myself together here.

Another area that is very important: You can implement all the policies you want—and I don't have to read this for this stuff; the underground economy. If you don't have anything in place to enforce what you set out, don't bother implementing it because it just makes so much paperwork; it doesn't matter whether it's through WSIB or through Revenue Canada. If you implement policies you have to have an enforcement team that can deliver, that can go out there and make people follow what you've implemented, because it doesn't do you any good. What happens is, it's a two-tier system. The people who comply are being penalized because they're competing against people who don't have to comply.

We're very fortunate. I find the people who are in place now have the willingness to listen. It's all about working together. You guys wouldn't be here if you didn't want to learn from people. It's really good that you're here, and I really appreciate that too.

Rental housing: we look at 3.8% as about average. Anything above that is a buyer's market; anything below that is a landlord's market. Right now we're at 5.8%. In the rental housing market, housing is in short supply in a growing number of urban areas across the province. Nine regions have a vacancy rate under 2%, and five cities, including Toronto, Barrie, Kitchener and Guelph, have a vacancy rate under 1%. Thunder Bay is 5.8%. Still, that has dropped from a rate of 7.5% in the year before. Despite Ontario's robust economy, the reality is that there are very few new housing starts. The provincial government has undertaken a number of initiatives in the past to encourage construction of rental accommodation, including most recently the PST grant program, which is pretty good.

The Ontario Home Builders' recommends that the government renew the PST grant program and increase funding for this program initiative to support new affordable home construction. A review program is critical and is recommended so that the grant targets the intended sector. In addition, OHBA urges the provincial government to review the recommendations from the housing supply working group and seek to eliminate the disincentives that currently discourage the private sector from building rental accommodations.

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Many municipalities across Ontario have undergone or will undergo amalgamation. While over 80% of OHBA members support the concept of amalgamating communities, they do have concerns about increased costs and

delays that are being incurred by builders as these municipalities merge. Therefore, OHBA urges the provincial government to expedite the supply of necessary funding to renew amalgamated municipalities to ensure a quick, effective merger of building and planning departments and rewrite zoning and bylaws.

Again, in Thunder Bay we have a building department that is very receptive to the growth of our industry. They have a willingness to communicate. Communication is a key factor in anything. If you lose the communication skills, you might as well not get up the next day to go to work, because you have to communicate.

Let me conclude by noting that this government has cut taxes 99 times since being elected in 1995, and in last year's budget announced a further 67 cuts over the next five years. We urge the government to continue on this path that has proven to be very successful for Ontario. Let me also repeat that OHBA and its members strongly support the fiscal policy of the provincial government and encourage the government to continue in the direction of cuts in spending and taxes.

If you want to open up the floor, I can probably answer questions.

**The Chair:** Thank you very much. We have approximately four minutes per caucus, and I'll start with Mr Kwinter.

**Mr Kwinter:** Thank you very much for your presentation. I'm sure you know we've already heard from the Ontario Home Builders' Association and the Toronto Home Builders' Association, so we've heard the general concerns and the specific concerns of your industry.

I'd like to talk to you about Thunder Bay in particular. I was quite surprised to hear that home construction in Thunder Bay is down 34%. Is that just a one-year phenomenon or has that been going on for some time?

**Mr Williamson:** It's the worst it has been—it's actually been on a decline for the last few years, and we need something to kick-start it. I think industry's going to do that. We have to try to get some sort of industry in the high-tech programs, either computer manufacturing or something—because we're centrally located, call centres are a good idea. Actually, when you look at a call centre, it doesn't pay enough money to draw from, but it's still moving in the right direction. You need call centres, but you need other things that can supply higher wages so people can afford the luxuries of owning homes and even paying the rents that are already established. We're running about \$650 a month on an average for rental costs. So what we have to do is, I think, create consumer confidence and the introduction of industry into this community.

We are centrally located. Even for shipping or the exporting of product, we have a beautiful harbour and we have the exporting facilities to get it all over the world from here. If you're in Halifax and you manufacture something and you have to ship it to BC, the costs are huge. But in Ontario you can manufacture and go to both coasts and you cut your costs in half.

It's just like call centres. If you're a call centre—this is my perception and it could be wrong—and you're in

the centre and you phone to BC or you phone to Halifax, your rates are half those than if you were in Halifax phoning to BC. So actually we're in a super location and a very competitive location globally even for the American market because we're right down the middle of the States.

Thunder Bay can offer a lot, and if we can kind of nurture that and grow with that concept I think we can rekindle the market a little bit, get consumer confidence up in this region and get spending back into housing.

It doesn't matter what market you look at: if housing is not booming, you don't have a very good market economically anywhere, so it's a good indication to look at. If you've got a booming housing market, you usually have a very stable economic climate.

**Mr Kwinter:** Have you done any analysis? Is the decline in housing starts because of affordability or because of population decline? Is there a pent-up demand for housing but people just can't afford to buy it or is there no demand?

**Mr Williamson:** I just think basically Thunder Bay is not growing. We have to get people to come in here. That's the pendulum. That's going to start the motion swinging, because it has kind of been stagnant. There really hasn't been a lot of growth in Thunder Bay for people coming in. I think the market has been dependent on existing families who have been supporting it. I think a growth issue has a lot to do with it. If you bring industry in and you bring professionals in—the hospital is a phenomenal opportunity for the community to start experiencing some of that growth. The casino was a phenomenal opportunity for this community to start experiencing some of that growth. We need a lot more of that. It's not enough. We need more.

Once you get industry coming in, you're going to get the jobs, you're going to get the families, you're going to get housing, and you're going to get stability.

**Mr Christopherson:** Thank you very much for your presentation. I want to tell you, it's a breath of fresh air to hear somebody from the home builders talk about the fact that higher wages are an important part of our economy. It's a shame that has to be seen as such a big deal, but very few will come forward and acknowledge that, I guess mainly because they're looking at the micro, maybe their own business, and cost is their bottom line. But at the end of the day, if you had the whole province working at minimum wage, you would be out of work. You wouldn't have a company, because nobody could afford to buy a house. So I really appreciate the fact that you at least acknowledge that.

I want to pose to you a dilemma, though, that I have trouble getting over in my own mind, and it's this. I can appreciate that you like the tax cuts. Nobody likes to pay taxes, nobody. If they can pay less, they're all for it, and you've advocated that the government continue to do this. The difficulty we see from our perspective is that this has cost us somewhere in the equation.

You mentioned what's been cut in education. I would argue that the government needed to take \$1 billion out



of education to pay for their tax cuts. You further talked about the lack of skilled trades, of skilled labour. Again, in order to do something about that, it takes a reinvestment of money. That's public money. It's hard to find a pool of public money when you've just cut your revenue stream and you don't have as much money coming in because you've cut the taxes.

The underground economy is being hit a lot. I heard from a lot of the construction companies, and I praise them for it, "Look, we're here to represent those who play above-board. We're prepared to play by whatever rules are fair for us, but you've got to make sure everybody is onside." Fair enough. But, again, in order to enforce—and that's where you put your emphasis—it costs money. Some things are recoverable but not everything. Again, we have this dilemma that in order to meet some of the needs you've identified for the future, we need to spend some money, but to do that at the same time that we're cutting creates a real problem.

Let me pose one more thing to you, and that is, if you've got people who are working in your industry—

**Mr Williamson:** I hope I—

**Mr Christopherson:** You can comment on whichever part you like.

**Mr Williamson:** No, it's just my memory. I hope I can recall—

**Mr Christopherson:** I'll give you a whole cherry tree and you pick the cherries you want. How's that?

**Mr Williamson:** OK, good.

**Mr Christopherson:** Today is clearly going to be a very sad day in a lot of households, as they watch their mutual funds go through the floor. With the downturn, there are going to be people it will affect. If all of this continues, there are going to be more and more layoffs, and it's going to be felt first right where you are, at the housing end of it.

I'm really concerned about what happens to your employees and other employees who get laid off, not because you want to lay them off but because you don't have the work for them. Only one third of all workers in Canada now qualify for EI. So if you aren't one of the lucky ones there, you fall through. Social assistance has been ratcheted down, again, to pay for the tax cuts, so a lot of people aren't going to make it there. In the course of one year, you could very easily go from making really good money as a construction worker to, a year later, putting your own house on the market because you can't afford to keep it any more.

I see all of these problems built into further tax cuts. We had mayors in here this morning saying if they don't get more assistance from the province, because of the cuts there, they're going to have to increase user fees, again affecting the quality of life. I just don't get how all of that is going to work for us.

**Mr Williamson:** But do you know what? It's the restructuring; that's what it is. You've started the process. You've made the cuts, and now it's a rebuilding time. So we're not saying, "Cut, cut, cut," with no reason. You're making cuts; you're making them in areas

that needed to be cut, but now you can sit back, reassess any damage that has been done and rebuild from that. It's a learning process. I would say on that end that it's not just, "Keep her coming"; you have to do it within reason. But again, the underground economy—there are numbers that show the astronomical amount of money we're losing from that, and it's revenue recovery. It doesn't matter what process you go into. If we can start recovering some of that money, it would justify any of the cuts you're making in other areas. It's astronomical.

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When you get into the Thunder Bay area, it's 82% owner-built. Again, where are the controls, when an owner builds a house and a builder builds a house? If I build a house, I have the Ministry of Labour, I have everything, the process, all on me. When an owner builds a house, he doesn't have any of those restrictions. Nobody is checking his stuff to make sure everything was paid. Basically, again, enforcement: when you implement policies to control, they have to be fair across the board. We've been fighting for that fairness for everybody, right from notice of projects, because again, it starts the process rolling. If an owner built a house before—

Sorry if I'm—

**Mr Christopherson:** No, I was looking to see if I had time to ask you a follow-up question and he's signalling to me no.

**Mr Williamson:** I was just going to say that with an owner-built house, they didn't have to have the notice of projects, therefore the Ministry of Labour didn't have to go to the site. For owner-built houses we've actually pushed the issue, because the law was always there—it's just that they didn't really enforce it—that if you employ more than one person, you're classified as a constructor and therefore have to comply to the Ministry of Labour's guidelines. Our city was very receptive on that, to say, "OK, fine, we're going to start passing out those forms now," because an owner didn't have the obligation to go get one. Therefore, there is revenue that could have been lost because Joe up the street decides to do it for cash or another guy is working over here, and there's a lot of money lost in those areas.

It's working together as a team, working with the municipalities, with all levels of government, from education to labour to finance, putting the package together and delivering it. That's all we're saying, is to make sure, before you do it—I've always said when you get in there you should stay close to the people you serve.

**Mr Doug Galt (Northumberland):** Thank you for your presentation. It was most enjoyable. I appreciate some of the comments you made. It's delightful to have it juxtaposed with the gloom and doom we just heard from the third party. We heard their whole platform in about four minutes here. It's good to hear your comparison.

What I wanted to explore were the labour concerns you expressed. You expressed concerns about labour shortage. My understanding about salaries is that you were concerned about the high labour costs as they

related to construction, and also the skilled labour. Certainly, as chair of the Premier's Task Force on Rural Economic Renewal, skilled labour in rural Ontario, small-town Ontario, was a very big concern.

Along with that, I've recently had a construction workers' union—I think their official name is Universal Workers' Union, number 183—come to my office. They do a lot of training of their own, just-in-time training, so if a large facility is coming in, they would have the workers ready to go as the tenders were released. In the area of construction, carpenters etc, they would have them ready to go.

It's refreshing to see this kind of thing happening in the private sector, rather than government. How much is this a government responsibility to have them ready, as you're describing—when I say "government," I'm talking about community colleges etc—or is it a union responsibility? Where does some of this lie? How do we make it happen?

**Mr Williamson:** First of all, it is a government responsibility because they've taken the task and they've been entrusted, as I said, with the stewardship of education for our children. It's a partnership everybody has to be involved with, right from the unions to everything. Nobody can just walk away from it. The thing is, we've already started the process. The educational tool has been the tool we use to develop a child's mind or set the direction they're going to grow in. We've removed that through the technical aspect.

Before, we had grades 7 and 8 shop. They're not there any more. You had high school, where in the introduction to high school you could take them out and they could actually work with the industry; you can't do that any more. Now it's two years into the system before they're permitted on the site. It's against the law in the province of Ontario for a child under the age of 16—and when I say "child," it's not a child; 14 years old isn't really a child but we're calling him a child—to be permitted on a site; it's a \$25,000 fine. So if I had a co-op program that the board of education was trying to introduce, their hands are tied. Now do you get it?

It puts more responsibility on them. They've been cut so much. Go into their shop systems. Take a look at what they have to work with. The equipment is archaic. If you get into architectural services, they're running 386s, and we all know they can't keep up the process; Pentiums are all in there. So they're putting kids out into the system who are frustrated before they even get started.

Then you get into the technical sides where you get into the shops where they're using power saws and that. They're 40- and 50-year-old pieces of equipment and if they break down, it's a catastrophic event for one school. Right now there's \$75,000 allocated through OYAP, which is the Ontario youth apprenticeship program, for all the schools for Thunder Bay; but the Toronto board gets the same thing. So all the schools are only getting \$75,000. But it doesn't go for equipment. It just goes for the student who might need extra help on books or whatever else; it doesn't go for the actual development process.

So I think we have to look at developing that, because again, when we get into skills, to the migration of people coming over, we've lost that. You can get the stats on that. I had them and I was actually going to do a little bit of follow-up on that and I didn't have time. I'm sorry; I apologize for that. We used to have a high migration of skilled labour, but because the work isn't there, especially up here, they're not migrating here, so we don't have that resource to draw from. So we have to think of alternatives.

And we haven't been replenishing our youth, because everybody is saying, "Don't go into that. It's hard; it's tough. It's everything else." It's not. It provides a good life. You can make a good living and you can provide a good opportunity for growth in the family sector, like have a family, have a house and work that way.

**The Chair:** I have to bring the discussion to an end since we've run out of time, but on behalf of the committee, thank you very much for your presentation this morning.

#### LAKEHEAD ELEMENTARY TEACHERS OF ONTARIO

**The Chair:** Our next group is representatives from the Lakehead elementary teachers. Could you come forward and state your names for the record. On behalf of the committee, welcome, and you have 30 minutes for your presentation this morning.

**Ms Christina Lofts:** I'd like to thank you for the opportunity of allowing us to make this presentation. It's being brought to you from a local perspective. My name is Christina Lofts and I'm the president of the Lakehead Elementary Teachers of Ontario. My co-presenters are Sharlene Smith, vice-president, and Stuart McNabb, vice-president.

I just want to say that in spite of the funding cutbacks to education, the teachers are working very hard in the classroom and are providing excellent learning opportunities for the students, often at their own expense and certainly ensuring that these experiences will enrich the students and will provide the best possible citizens of this province for the future.

The Lakehead Elementary Teachers of Ontario are here to present their issues and concerns to the standing committee on finance and economic affairs. The Lakehead Elementary Teachers of Ontario represents 530 members, who belong to the Elementary Teachers' Federation of Ontario. LETO is proud to represent the interests of public elementary students and teachers and to defend the public education system. The need for this role has never been greater.

We'll first address the imbalance of funding. Last year, LETO spoke to you regarding the underfunding of elementary education. This year we bring the same concern. Although we believe the entire education system lacks the resources necessary to provide the best learning conditions for all Ontario's students, our purpose in this submission is to demonstrate how "student-focused



funding" is especially punitive and disproportionately disadvantages our elementary students—our youngest and most vulnerable learners.

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The imbalance in funding between elementary and secondary students, although historical, is certainly not justifiable. Resources directed to the early learner not only improve a child's chances for future success in school but also save all of society significant expenditures in the future through reducing dropouts etc. This government has an opportunity to do the right thing. They had the opportunity to correct the imbalance that existed when they assumed control of education funding. However, they chose not to. Moreover, the new funding model actually has increased this gap between elementary and secondary funding. They took money away from early learners, increased primary class sizes, cut funding to students at risk, reduced the number of teachers in the system and cut valuable programs for elementary students. Let's take a closer look at what student-focused funding means for our children.

Cuts to the classroom: a good education system has many components, not the least of which is its teachers. Elementary teachers are on the front lines of education every day. They see the children who come to school hungry, frightened or hurt. Not only do they teach young students how to learn, they identify difficulties early in a child's education to ensure that the student can get the extra help needed to secure the best chance for success in later years. What did the new funding model do? It eliminated teachers; it eliminated programs; it eliminated resources for the early identification of special-needs students. The student-focused funding therefore resulted in fewer teachers for our students, not more.

A further casualty of this funding model is the loss of specific valuable programs and their teachers, such as instrumental music, industrial arts, home economics and teacher-librarians. Teacher-librarians were people who had specific skills in assisting the further education and the further implementation of curriculum with classroom teachers.

Our recommendations are that (a) the foundation grant for elementary pupils be increased to eliminate the gap in funding between elementary and secondary students; (b) all elementary schools have a minimum teacher-librarian allocation of half a full-time equivalent; (c) as a minimum, any funds generated for elementary education be used exclusively for elementary education, and both the ministry and school boards be required to report revenues, allocations and expenditures by panel.

**Ms Sharlene Smith:** Our next section is that research on class size overwhelmingly points to the importance of small classes in elementary schools. Student achievement improves in smaller classes; learning problems are more easily identified. Remediation can occur early, when it is most beneficial, and integration of students with special needs is more successful when class sizes are kept lower. Studies show that students who were in small classes in their elementary years benefited throughout their entire school career.

The special education funding drives more students into full or partial integration. Where these students are integrated, class sizes should be reduced even further, in order that the classroom teacher can give every student the valuable time each deserves. Adequate education funding should be available to allow special education teachers the opportunity to work directly with these students in order to provide the support and appropriate learning for the success of these students.

The restrictive space limitations, coupled with the mandated averages, increase the number of combined-grade classes. At the same time, the province also introduced grade-specific curriculum. In the context of larger class sizes and rigid grade-specific curriculum, combined grades disadvantage elementary students and increase the workload of your elementary teachers. Teachers have to prepare more lessons; students take more work home now. The average class sizes for combined grades are alarmingly high.

What happens in the first few years of a child's life sets the base for later learning. During their kindergarten years, children acquire important skills, knowledge and attitudes that will affect their ability to learn. Class sizes must be reduced to allow for more teacher-student interaction. Children in kindergarten are involved in problem-solving, literacy, numeracy and developing their social skills. Adequate funding must be there to ensure they get a fair start in lifelong learning.

Ontario's elementary students are being forced backward at a time when the trend in other provinces and even in the United States is to recognize the importance of early years through injections of new money aimed at reducing their class sizes. For instance, initiatives in British Columbia will mean no kindergarten class over 20, and grades 1, 2 and 3 will have 22 by 2000-01. California launched a US\$1.5-billion effort to reduce class sizes to a maximum of 20 for students in kindergarten through grade 3. In the United States, President Clinton introduced a seven-year initiative to reduce early-years class sizes to a national average of only 18. The recent settlement in Quebec includes a four-year, \$100-million reinvestment in the education sector to hire 2,000 additional teachers to reduce kindergarten through grade 2 class sizes.

If this government wants our students to excel, with particular emphasis on grade 3 and grade 6 testing due to standardized tests, then they must fund the appropriate supports by providing an infusion of money for textbooks, resources and fewer combined grades in the elementary grades, especially within grades 3 to 6, to build a strong foundation for future learning. Teachers are presently delivering programs without textbooks and resources. They must find or create the appropriate support materials for their own curriculum.

Our recommendation 2 is that (a) funding be provided to reduce class sizes in kindergarten to grade 3 to no more than 20 students, (b) funding for full-day senior kindergarten be restored, (c) real caps be placed on elementary class sizes, (d) class sizes for grades 4 to 8 be

no more than 22 students and (e) adequate funding be provided for textbooks and resources for classrooms.

Special education needs: Parents, teachers and school boards have been telling the government for years that programs for students with special needs are dangerously underfunded, cheating these students of the extra supports they require. Underfunding in these programs hurts young children disproportionately. Learning problems and exceptionalities must be identified and addressed as early as possible. The role of the special education teacher has become one of filling out forms and reports, which generates hours of work, when applying for special education funding. This is more costly and less effective. Remediation is what is needed if special-education programs are cut or time continues to be used for paperwork. Identifications are slower. Students are now on waiting lists for placements, or programs are dropped for lack of funding. Our youngest students are being robbed of their futures.

One of the problems we have is the failure of ESL funding to capture the needs of those students born in Canada who come to school from non-English-speaking households. These students entering school are suffering because language programs are inadequately funded. They do not qualify for ESL teaching support.

When children are at risk due to their socio-economic circumstances, their best chances for success rest in what the school setting can do for them in their earliest years. If they get enhanced programs, help with reading and individual attention, they have chances for success that their home environments may have otherwise denied them. A government that continues to fail to fund the needs of special-needs and high-risk learners is a government that will condemn these children. In the end, this ill-informed, mean-spirited view of educating Ontario's most needy will cost all of society more in human and financial resources later. This situation is reminiscent of the stance this government has taken towards blaming the poor for Ontario's economic deficiencies.

Our recommendation 3 is that special education, learning opportunities and ESL grants be increased with new money to address the needs of these elementary students, and that ESL grants include students who come from non-English-speaking Canadian families.

**Mr Stuart McNabb:** The model funds pupil spaces—maintenance, renovation and new spaces—at a lower level for elementary students than for secondary: 100 square feet per elementary student and 130 square feet per secondary student. This limitation is arbitrary and unrealistic in a time of child-centred learning. Young students need as much space as older students. To limit them is to limit their learning opportunities.

The space limitations are forcing school closures, which means some students as young as four years of age are now spending an hour or more on the bus in order to attend larger schools further from their homes. There are other repercussions. When a school closes and students move to a neighbouring school, it means loss of program. The loss to the community is immeasurable. The re-

ceiving school must convert science labs, libraries, music or special-education resource rooms to classrooms to accommodate the influx of students. Class sizes will be driven to maximum capacity, making it impossible to lower elementary class sizes.

Our recommendation 4 is that the formula for funding elementary pupil spaces be increased.

#### 1040

The funding formula further undervalues elementary students by undervaluing their teachers. The formula does not even meet the standard set out in Bill 160. Consequently, elementary teachers are left to implement nine new curricula in larger classes with more special-needs students. Despite these increased demands, administrative support has been reduced, special-education support has been reduced, new report cards have been implemented and documentation requirements are escalating. Without textbooks, resources and materials, teachers spend many hours searching for age-appropriate materials in order to deliver the programs. This requires time and effort in addition to the normal classroom expectations. As part of their regular routines, teachers continue to liaise on a daily basis with parents and outside agencies. The expectation is that elementary teachers do all this with a level of support significantly below that given to our secondary colleagues.

Therefore, it is the recommendation of LETO that prep time for elementary teachers be funded at a rate no lower than the 200-minute standard set out in Bill 160. Meeting these recommendations would go a long way to restoring the quality of elementary education, which we believe has been eroded since the inception of the current funding model.

Our recommendation 5 is that prep time for elementary teachers be funded at a rate no lower than the 200-minute standard set out in Bill 160.

By removing from boards of education any flexibility to access local taxes for local initiatives, the new funding model stifles innovation. The way to ensure flexibility and innovation is to return to school boards access to their own sources of funds. This will also ensure that programs match community needs. Other factors must be taken into consideration—geographic isolation, population etc—which drive the cost of materials and availability of resources higher. Lack of funding forces school closures and a move toward placing elementary students into secondary sites.

Our recommendation 6 is that the right to levy taxes for local education needs be restored to school boards.

Teacher shortage: Teachers perform one of society's most important jobs. They shape young minds. Our future voters, taxpayers, Prime Ministers and Premiers are sitting in elementary classrooms right now. They are students today, developing into the citizens responsible for the society we leave to them tomorrow. Every day, elementary teachers invest in that future. They invest their time, their energy, their own money and their expertise in young people. It's time the government invested in elementary teachers. In this time of teacher



shortage, the government needs to make teaching an attractive alternative for our university graduates.

It's our recommendation that the funding formula fully recognize increases in inflation and enrolment and, secondly, that the overall funding for elementary and secondary schools be increased immediately to reverse the cuts to funding that have been made since 1995.

**Ms Lofts:** This government wants to be proud of our education system, and so do our teachers, parents and students. Lakehead Elementary Teachers of Ontario is looking to this government to restore funding so that Ontario can return to being the leader in education in this country.

Studies clearly show that the long-term benefits of early childhood education far outweigh its cost. Indeed, for every dollar spent on early education for four- and five-year-olds, the benefits gained by the whole society are over \$7.

Our commitment must be to an education system that emerges strengthened and enhanced. It must be accessible to all students, and equal opportunities for success must be available to all. In this way, the investment we place in these young citizens will reap benefits for the community and the future.

The last page is a summary of all our recommendations.

**The Vice-Chair (Mr Doug Galt):** Thank you very much for an excellent presentation with precise recommendations at the end that bring it to our attention. We have about three minutes for each party. We'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation; it's very good. I'll start by mentioning that special needs continue to come up at every single location, every hearing, every community, and I go through it in Hamilton. I'm just glad you've raised it. If you want to add anything a little later—I have one question—please go ahead. We've got to underscore this. We've got to put enough heat on the government that they take the pressure off that. We've got kids who should be in school, could be in school, used to be in school and aren't, and it's simply because of the dollars.

Also, the cuts to the classroom have been a fascinating shell game to watch as the years have unfolded. What the government did was say, "We're going to focus on those things that affect the student in the classroom. That's going to be our emphasis." They call it student-focused funding. Then what they did was redefine those things that they determined constitute classroom funding versus others—administration. In doing that, you know as well as I do that they cut out custodial work. They cut out transportation, and I would think that's huge here and wouldn't mind hearing about that. I know it's huge in my new city, and it's not nearly the geography we're talking about here in Thunder Bay. The maintenance of computers isn't considered part of it. The hydro, heating the classroom—those things somehow magically don't have anything to do with what is happening in the classroom.

In effect, what they did was reduce all these things, take those out of the equation, and then throw a little bit

of money at what is left and say, "There you go. We increased student-focused funding by X percentage of dollars. We're the ones who really care about kids." It's tough to get the message through to the public that you've got to look past the rhetoric. You've got to take a look at what is left in that funding. What are the things that were defunded in order to pay for the tax cut, and what was the trade-off in terms of the few dollars that went back in?

I wanted to hear whether or not that's what you've experienced and what your view is from this part of the province also.

**Ms Lofts:** What we found ourselves in is that when the new curriculum came forward, we very energetically became involved with it and studied it, but without any resources, without any training and without any textbooks. Right now I am in the process of collating information from our classroom teachers which clearly indicates we still do not have textbooks in our classrooms or the resources in order to assist us in the application of the curriculum.

What the teachers do is go on the Internet and search out the materials. They have to make it age-appropriate because a lot of the resources are designed for the adult learner, so we must make them suitable for the age-appropriate classroom. That's the first thing.

The other thing is, you're right about the custodians. We used to have the custodians come into the classrooms on a daily basis. They are only able to clean the classrooms every second day. That becomes a health hazard. There are other issues associated with that. They aren't able to do all the work that they used to do, and this impacts our classrooms, our day-to-day environment. I've often said to my students, "This is our living space for at least a five-hour day every day. It should be healthy and it should be clean. It should be a place that we want to go to every day."

When you mention special education, you're absolutely right. The government has forced teachers, and special education teachers, to do hours—I have heard up to 400 hours a year—of paperwork in order to make applications for funding. They are filling out special paperwork for testing because there is an auditing done of the boards. They spend hours and hours doing the paperwork. They are not able to provide direct service to those students who need it. The time that is there, the money that is spent in paying for their salaries, is just an extension of a job that is now part of, I guess, a government job, because they're doing the paperwork.

**The Vice-Chair:** We're well over four minutes. We're going to have to move on to the government.

**Mrs Molinari:** Four minutes is hardly enough time to address a lot of the points that you've made in your report. We've had several presentations from various teacher groups and there seems to be some consistency in some of the comments that are being made.

I would just like to put on the record a couple of things. The funding model that is presently in place is a far fairer model than the one we used to have. Over years

and years, studies have been done that determined that the funding model was flawed, and yet no government prior to this one had the courage to do anything about it and change that. This funding model now allows for every student in the province to have equal access to equal dollars. The old funding formula gave rich assessment boards more funding than poor assessment boards, and it was not equitably distributed through the province of Ontario. The reasons for the change in that were called upon by all boards, teachers and everyone. There was a problem with that. The way the model is now, it's more equitable to all the students in the province.

I want to also address some of the comments you made on special education. It's certainly a very important factor. Having been a school trustee for 11 years and chair of a school board and also chair of SEAC, I know a lot about the issues with respect to special education. It's ever-evolving. I don't think we're ever going to reach a point in time when we say that it's perfect, because students are all different. They all learn at different levels, especially our special-needs students, and that is evolving. I understand there is a lot of paperwork that is done by teachers, and the Minister of Education is very receptive to input from everyone on how best to serve those students, because at the end of the day that's what we want to do: serve those students to the best of our ability.

1050

You talked about some combined grades. Combined grades are a reality in any small school, and that is an issue that's been ongoing in a number of areas, but it's a reality when you have small schools that you're going to have combined grades. The best way to approach that is to look at the individual student and certainly the principal along with the teacher to decide on which students would benefit best from a combined grade rather than a strict grade.

Teacher shortage is worldwide; it's not just in Ontario. As a matter of fact, the chair of the Toronto District School Board, Irene Atkinson, recently reported that it's not just an Ontario problem; it's a worldwide problem. Certainly it's something that as a provincial government we need to address, but it's not something that is just an Ontario problem.

Learning materials—you talked about textbooks. The way the funding model is now, there's specific money given for students for textbooks and it's up to the school boards to determine how that money is spent. It is one of the envelopes where there's some flexibility and the school boards have the ability to do that. Is it something that we should look at, taking away the flexibility so that boards have to spend it specifically on textbooks? That's a question that we're looking for input on. Is that something boards are asking for, more flexibility on how they spend their dollars? Because most boards are spending above the average salary that is given for grants, then boards need the flexibility in other areas to be able to provide for some contractual agreements that they presently have. So there are a number of issues. I think I'm running out of time here.

**The Vice-Chair:** Ms Molinari, you've used up four minutes. That's a minute over what you were allowed.

Due to the circumstances, you won't be able to respond to Ms Molinari, but I can give you two minutes to wrap up. If you want to make reference to her comments, you may, but you have two minutes to wrap up.

**Ms Lofts:** I'm going to say that the funding model just doesn't fit, so the government has to look at it again. It doesn't address the inequities, it doesn't address the transportation costs we have in the north, and it doesn't address what is happening in my classroom. So if you're going to tell me you've put enough money there, I'm going to tell you it isn't enough.

With regard to what are appropriate incentives, if we have a global teacher shortage we want to attract the best-qualified and the best teachers to our province. You know, the United States is doing it. The incentives have to be there, and that does cost money as well. We want to make sure we have the best possible system.

Combined grades? You have a double curriculum there. We need to address that issue. We need to address how those teachers can deliver that program as effectively as possible. We need to make sure the best funding model truly does address the concerns in the classroom, because the people in the classroom are our future and we need to make sure the money is there, all the money that is necessary.

We also need to look at the way all the paperwork and all the other things that go along tie the hands of boards, yes. But you have the money now. You have a surplus. You can direct that surplus into what is going to come back and reap benefits for you, and that is our recommendation.

**The Vice-Chair:** Thank you very much for your presentation. We much appreciate it. The recommendations are very specific, and we appreciate that. Have a good day.

## ONTARIO MINING ASSOCIATION

**The Vice-Chair:** Our next delegation is the Ontario Mining Association: Patrick Reid, president, and Peter McBride, manager of communications. If you're both here, come forward. Welcome, and state your name at the beginning for the record. We look forward to your presentation. You have a half-hour in total for presentation and the remainder that you don't use will be split up among the three parties here.

**Mr Patrick Reid:** Thank you, Mr Chair. I'm Patrick Reid, the president of the Ontario Mining Association. My colleague Peter McBride is attending an energy committee meeting across town, so he will not be with me. He has let me out on my own today.

I'd like to thank you folks for coming to the northwest part of Ontario. We're in the middle of Indian summer here, as you've probably noticed. I come from this area. I was born in Fort Frances, some 220 miles west of here, raised in Atikokan. I represented Rainy River in the Ontario Legislature for a few years.



**Mr Christopherson:** Welcome back.

**Mr Reid:** Thank you. The Ontario Mining Association has been holding its energy committee up in Thunder Bay. We have a number of mines in the area. They have gold mines: the Red Lake gold mines; Musselwhite, north of Red Lake. Yesterday we had a tour of the Palladium mine, North American Palladium, who are just undergoing a US\$125-million, so about C\$250 million, maybe more—I've been away from the financial centre of the universe—depending on what's happened to our currency. So they're investing US\$125 million in a new facility, which is about an hour-and-a-half drive north and a little west of Thunder Bay.

I probably will not take my full time. I again want to thank you for coming to this part of the province. I think it's very useful for MPPs to see the rest of Ontario and certainly to get a feel for how big the north is. I don't want to lecture you, but you're probably aware that if you look at a map of Ontario, you see that southern Ontario looks like it's about three quarters of Ontario. If you look at a real map, you'll see that northern Ontario is 80% or so of Ontario and southern Ontario is only about 20%. So we have those problems of time and space and communication in this part of the country.

I'm not going to touch on everything in the brief. I just want to reiterate for you that modern-day mining is a high-tech industry. We can't compete around the world unless we are in the high-tech business. I grew up in a mining town. It's amazing to see what has happened in mining in 30 or 40 years since I first worked in a mine. But we are a high-tech industry. We are not a pick-and-shovel industry.

We have about 20,000 direct jobs in mining. They're high-paid, high-skilled jobs with about 70,000 spinoff jobs. We're a major provider of government revenues. We have very high productivity. Our productivity is twice that of manufacturing. A large part of what's directly responsible for that is the high-tech end of our business. Our value added is about \$205,000 per employee annually. We make significant investments in employee safety and training, environmental protection and research and development. With a lost-time injury rate of 1.4 per 200,000 hours, mining is the third-safest industry in Ontario, behind hospitals and the pulp and paper industry. We are the main economic engine in 50 Ontario communities, including many in northwestern Ontario and a number of mines in southern Ontario.

In recent years the provincial government has given a big boost to mining, particularly in last year's budget, when the Treasurer announced that there would be a 50% decrease over five years in the Ontario mining tax; there has been an offer of a 10-year Ontario mining tax exemption for new and remote mines. We may well have a new diamond mine up near Attawapiskat, near James Bay, hopefully. You've made available tax incentives for investors and flow-through shares invested in geoscience and advanced technologies. The government has also promoted mineral exploration activity through its Operation Treasure Hunt and earmarked \$29 million over three years and, importantly, has invested \$27 million in

the rehabilitation of abandoned mines and mine sites. Industry has been assisting in this area.

#### 1100

Ontario has a long history of mining and in fact is very responsible for the opening up of a large part of Ontario, particularly northern Ontario. But there is a legacy of mines that were shut down, some as many as 100 years ago. They were shut down without the knowledge we have today of possible environmental and/or health and safety hazards. So there are some of these sitting out there that the government is doing a good job in rehabilitating, making them safe and stopping any environmental problems, but much has to be done.

All these have had a very positive impact on the investment climate for mining in Ontario, and the Ontario mining industry is very grateful for them. We still have a vast geological potential for future mineral development which will benefit all Ontarians.

The response to these moves by the government has been that exploration has increased by over 20%. Falconbridge in Timmins has announced a \$650-million investment in its Kidd Creek mine. That's the second-largest investment that was announced last year, other than the Toyota plant. Inco has announced expansion plans and investment of \$116 million in new developments. Barrick Gold is expanding its mill at the Holt-McDermott mine. I've mentioned De Beers, a possible diamond mine at Attawapiskat. Northwestern Ontario, where we are presently, is sharing in this new and renewed mineral development. I've mentioned North American Palladium spending \$125 million to upgrade and expand its Lac des Iles mine. Goldcorp opened its Red Lake mine last year; that was about \$90 million. Kenora granite is putting \$4.5 million into a dimension stone quarry south of Red Lake near Ear Falls. Along with continued production from its Campbell mine, gold producer Placer Dome is putting up more than \$8 million for exploration in the Red Lake area and has spent \$90 million sinking a new shaft in the Madsen-Red Lake area.

All of these have a very positive effect on the city of Thunder Bay, because a lot of the people are from Thunder Bay or live in Thunder Bay, and most of the goods and services that are provided to these mines are either provided directly by Thunder Bay businesses or are in transit through Thunder Bay. Musselwhite, for instance, includes 260 direct jobs, including 60 from the first nations, a monthly payroll of \$1.7 million in wages and benefits; \$700,000 in monthly expenditures on various types of energy; \$2.6 million spent monthly on other goods and services, with about half of that being spent locally. The types of goods and services provided by local companies to Musselwhite include flying services, explosives, trucking, janitorial services, catering, underground mining equipment parts and maintenance, fuel, hardware, lubricants and service vehicles. First nations companies are providing several of the goods and services purchased by the mine, and it is estimated that Musselwhite generates \$56 million in benefits to Thunder Bay.

North American Palladium's major expansion means that Thunder Bay is a prime beneficiary of the socio-economic benefits generated by the mine. The expanded Lac des Iles operation will spend more than \$55 million annually on labour, goods and services, with more than \$28 million of that total being spent in Thunder Bay. The expanded Lac des Iles operation will support 700 full-time jobs in Ontario, 234 direct and 466 indirect and induced. Employee-related payments to governments, in taxes etc, are anticipated to be in the range of \$4.5 million.

Mining operations strive to be responsible partners in society, making contributions in the communities where their employees live. I might add that there are only two palladium mines in North America. One is Lac des Iles, which I referred to; the other is the Stillwater mine in the United States. Other than that, most platinum and palladium comes from Russia. Palladium, particularly, is used in catalytic converters for automobiles, to take some of the noxious gases out of the air. It's used as a cleansing instrument for combustion in automobiles.

The mining—you have this; I'm not going to go through the rest of it. A recent survey had indicated that in North America, Ontario is third-ranked as a place to look for and invest and develop mines. This is largely due to our geology, but also government policies, including tax rates.

That's all the good news. There are a few—

**Mr Galt:** Stop there.

**Mr Reid:** You'd like me to stop there? There are a few flies in the ointment. One is in the area of property taxation. The Chair is well aware of this situation. We have a situation where two uranium mines in Elliot Lake went out of business in the late 1980s, early 1990s. One by-product of mining is that you have what are called tailings, the waste rock after you've extracted the minerals. You have to store these on, usually, very low-grade land. Mud is what it is, generally, and it's usually placed in low-lying areas, usually in what amounts to swampland. The mining companies are no longer situated there—the ore had been mined out—but Elliot Lake is asking for a review under the assessment review commission to have the land on which these tailings are situated elevated from commercial, the lowest rate, to industrial or occupied-industrial rates. This would mean that for all of the mining companies across Ontario, probably, if this went through, their taxes for basically what are sterile areas not useful for anything else could go up anywhere from 300% to 400%, depending on what happens. This is not, believe me, an incentive to look for and develop a mine in Ontario.

In fact, mining companies are required by law to rehabilitate the lands, which means taking down the buildings, capping the shafts and making sure that the tailings areas are safe and secure. Under market value assessment there are no willing buyers for this property. So the property is worth nothing, in effect. The mining companies would be quite happy if somebody would take it off their hands for a buck. This is a bit worrisome for us and we hope that through Mr Beaubien's committee

there will be a rational response to this particular problem.

The other problem, and I think it's much larger than just for the mining industry, is energy costs. Mining operations spend about \$250 million annually on electricity, and Ontario has the second-highest industrial electricity rates in Canada. The current rate freeze is very helpful, but we really need to move to a competitive market in electricity. Between 10% and 15% of the cost of producing metals is related to energy, but in the pulp and paper industry—and they can speak for themselves, but we've been talking to them as well—they're up in the 20%. So if these costs of energy go up, unfortunately unemployment goes up as well, because people have to cut costs somewhere and often it's the worker who unfortunately gets stuck holding the bag for these increased costs. So we need to really go to the competitive marketplace, and we realize the difficulties that have been experienced in Calgary, Alberta, and California, but there have been particular reasons why those things have gone awry out there.

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We would like to see the government sell the transmission and generation assets to reduce the stranded debt and ensure that the need for the creation of a genuine electricity market is met.

The third issue we have is the inclination now of government ministries, particularly environment, to do what they call cost recovery. We have no problem with the concept of cost recovery if it is directly related to the services that are unique to, in our case, the mining industry. However, it would appear that the recent initiative of the Ministry of the Environment is to recover more than just cost recovery for those areas and to in fact come in the side door with what amounts to taxation. The Ministry of the Environment is proposing to charge companies to report their air emissions and monitoring, to set up an emissions Web site database which would be accessible to the public, for instance. We think this is something that should be paid for out of government revenues. It is one thing to have user fees which realistically cover the cost directly associated with administration fees for a licence, but fees to cover the cost of government programs are probably more suitably financed from general government revenues. The OMA would like to see a limitation on the apparent proliferation of these cost-recovery fees.

And—the best words that I know you hear from everybody who sits before you—in conclusion, the government has done a great deal to restore the recognition and encouragement of responsible mineral development in Ontario to benefit all citizens. We would like to see the government continue on that path. Thank you very much today for this audience and best wishes in your work in helping to build a budget for the next fiscal year which will benefit all Ontarians. Thank you, Mr Chairman.

**The Chair:** Thank you very much. We have approximately three minutes per caucus and I'll start with the government side.



**Mr Galt:** Thank you for your presentation. I remember several presentations last year on mining. Of course the concern was the 20% tax, and more equitably it would be at 10%. As you know, and have in your presentation, the Minister of Finance in his budget last May did come through with reducing this over some time, 20% to 10%, and also the exemption for exploration.

We hear the criticism from opposition as we cut taxes, "There's going to be no revenue to do other things with and therefore you're going to have to cut," and all the rest of it. What I want to explore here is that you mentioned different mines being opened etc. Down the road, with the change in that tax structure for the mining industry—and I know you won't have the specific dollars; there's certainly stimulation, and you've indicated that—to what degree do you anticipate this? Would it double the mining industry in Ontario, therefore compensating for that 50% cut in the tax? Will more mines come on? Will current mines step up their production etc? How much of a feeling do you have as it relates to tax recovery?

**Mr Reid:** First of all, miners are the highest-paid industrial workers in our society, so the more miners you have the more they're paying in income tax to the provincial coffers. We also pay, by the way, corporate income tax. For those taxes, the more income they earn, the more they will pay. I can tell you that in at least two or three instances the cutting of the Ontario mining tax resulted in a positive investment decision by three companies that I know of. They frankly don't tell me everything about their internal workings, especially when their price is going up, or down, for that matter, but it certainly has had a very positive impact. I think the more economic activity that you generate, obviously the more taxes the government is going to get. I can't give you a specific number but I can assure you that it has really focused people's attention on Ontario as a place to explore and develop mines.

**Mr Galt:** I think I've come across someplace where we're now the third most competitive region in the world, or in North and South America.

**Mr Reid:** We're seen as the third-best place to look for and invest in mining, Nevada being the first one. These recent changes moved us up from about sixth place to third.

**Mr Galt:** From what I've heard from your comment, we may not recover fully that 20% to 10% loss, but where we will recover is in other corporate taxes, in other income taxes from miners, who I think you said were the highest-paid industrial workers in the country. That will more than compensate for that reduction in—

**Mr Reid:** Absolutely. Yes, it will.

**Mr Kwinter:** Thank you very much for your presentation. It's rather nice to suddenly hear you in a positive sense, because over the years when you've appeared before us we've always acknowledged that Canada had the reputation of having the best mining people and we certainly had good geology, but, notwithstanding that, a lot of Canadian mining companies were going other

places to invest because of the climate, and that's changed. I think that's good.

I want to address some of the negatives that you're still pursuing. One of them has to do with the slag storage, or the tailings. Are mining companies getting secondary recoveries out of those tailings?

**Mr Reid:** In some cases they've tried. For instance in Cobalt, they've gone back and run some of the old tailings through a mill to recover the cobalt and silver. In some of these old mining camps where the technology wasn't as good and they got what we call low-recovery grades, they left a lot of the metals in there. But it's not a big thing.

**Mr Kwinter:** You say it's not a big thing. The reason I raise that is, if that is the case, it's hard to justify a finding that there's no activity taking place on those lands and they shouldn't be taxed if in fact there is commercial activity by the secondary recovery of tailings. I'm just raising that as a question.

**Mr Reid:** I think, as I say, you could buy them from a company pretty cheaply, if you wanted to try that yourself. In most cases there's no value to them.

**Mr Kwinter:** The second comment I'd like to make is that I agree with you that the current energy issue in Ontario, and electricity particularly, could potentially be a very strong deterrent to a lot of economic activity. I'm curious to see where you suggest there should be some competition in the transmission. Transmission lines are a natural monopoly. I hope you're not suggesting that companies should come up and set up competitive transmission lines on the grid.

**Mr Reid:** No. We're more concerned about the generation, really. It's the generation where the problem is. Right now, Ontario Hydro, no matter what they say, is still controlling all the generation, and nobody is going to come in and set up any generation facilities until they can be sure that there will be open competition.

**Mr Kwinter:** I agree, and we've raised that question from day one. As I say, I just picked up on the fact that you included transmission.

**Mr Reid:** I think what we're getting at there is that we're a little concerned that Hydro is buying up all the municipal transmission systems, which again puts them back in a monopoly situation.

**Mr Christopherson:** Thank you for your presentation. Let me make two comments at the outset: one, if the government was hell-bent for leather to go ahead and cut taxes, then let me say that the money invested in the cuts to the mining was probably a good idea. There was more that needed to be done in the north. Other than the fact that we didn't think it was a time to be cutting taxes, if you're already into that world, then at least there's something productive about that that's going to lay the groundwork. I don't disagree with what the good doctor raised in terms of future revenue and job growth, as well as economic growth, as a result of that.

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Having said that, I also want to point out that the long and bitter strike at the gold mine in Red Lake was

certainly a real black eye to that company and, I suggest to you, didn't do mining overall a lot of good. There's a lot of reverberation, certainly within the labour movement across Ontario, as a result of that. It's the sort of vicious labour relations that does a lot of damage to business and sends out a bad signal to investment, I would say, not to mention to the ability of those people you said make good money. Part of that is having collective agreements, because you sure can't rely on minimum wage in this province to give you a decent standard of living, and of course you can comment on that if you choose.

Having said that, I want to make one other observation and ask your thoughts on it. You mentioned flies in the ointment, and you mentioned two examples where the municipality was making moves you have some difficulty with and probably—I don't know that you used the term—would see it as a cash grab. To you, it was a way not fairly applied in terms of extracting money. Then on page 10, you also make reference to a number of provincial ministries that you likewise believe are charging you money that you really shouldn't be paying. Then you say, "But fees to cover the cost of government programs probably are more suitably financed from general government revenues."

The dilemma is that if everything is "Cut taxes, cut taxes, cut taxes," and that's your way to ride the boom as well as get out of a recession or a downturn, if that's everything, then at the end of the day it shouldn't be surprising that municipalities—if you heard the two mayors who were here this morning talking about the cuts they've had to their budgets, which is what the provincial government had to do in order to do all the tax cuts, particularly on the income tax side that especially very well-to-do Ontarians were very happy with. The same with the ministry itself: once they cut their own budget, then they also have other demands, and they try to find those internally without having to go on bended knee to the finance minister saying, "I need more money in my budget."

My question to you is, this blind drive toward tax cuts above all else, in my humble submission, is going to result in these sorts of things in a whole host of other areas, and the two just aren't compatible. There's got to be a balance, and what we don't have in this province is a balance. So maybe your thoughts on those things.

**Mr Reid:** I don't comment on individual companies—you referred to the strike. I have no mandate. As a matter of fact, I would be among the ranks of the unemployed if I did.

**Mr Christopherson:** Fair enough.

**Mr Reid:** I would only comment that there are always at least two sides to each story, but I can't comment otherwise.

In terms of the dichotomy supposedly between cutting taxes and providing services, I think the theory—and it has been seen to work in some jurisdictions—is that if you cut taxes, you put more money back in the hands of the consumers, who are responsible for 60% to 70% of

the economic activity in the economy. The more the consumer has to spend, the more he/she/we will spend, and that in fact creates economic activity. As the pie grows bigger, you get more revenue. That at least is the theory.

We had somewhat this discussion last time, as I recall, Mr Christopherson.

**Mr Christopherson:** That's right, we did.

**Mr Reid:** I guess I still hold to the view that creating jobs is the main thing. If people have jobs and they have money, then they're paying taxes and companies are paying taxes, and hopefully there will be enough to go around.

As far as the municipalities are concerned, I'm not always sure that—and I come from this area, so I say this and I'll get in trouble. As a matter of fact, I ran into one of the mayors downstairs who was before you. He's an old friend of mine. Municipalities have a tough time raising funds, and I'm not speaking specifically of any community. If you look at the tax rates in some of these municipalities, the residential tax rate is relatively low for the services they get.

I'm probably sounding very nostalgic when I say there used to be a connect between taxes you paid and the services you got. There now seems to be a complete disconnect. But for accountability purposes I think that if people in municipalities were paying more for their residential taxes, they'd be more aware of the services they were getting and they might be saying, "We can do with this and maybe we don't need that." In many of these municipalities, the commercial-industrial is carrying 70% of the tax load, and the residents, who are getting most of the benefits—not all of them, because obviously it's a bigger situation than that—

**Mr Christopherson:** Of course municipal property taxes are very regressive.

**Mr Reid:** That's a problem.

**The Chair:** With that, I have to disconnect the discussion, because we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

**Mr Reid:** Thank you very much, and enjoy yourselves in the beautiful northwest. You really should come back in the spring and summer.

#### CONFEDERATION COLLEGE

**The Chair:** Our next presenters are representatives from Confederation College. Would you please come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation.

**Ms Pat Lang:** Thank you and good morning. My name is Pat Lang, and I'm the president of Confederation College. David Ramsey is with me today. David is a member of our faculty union. I also have two other people in the audience from the college. Larry Brigham, a counsellor who works directly with our students, is here. Jan Lewkin has just arrived. Jan is a member of our



board of governors. Lorne Sarmiento was here a moment ago; I think he has disappeared. He's the president of our faculty union.

Thank you for the opportunity to be here today and to present. I'm going to use overheads. Does that work for you?

**The Chair:** Yes, you may.

**Ms Lang:** I also have copies of my presentation for you, so you can take notes on that, if that makes it easier for you.

First of all, thank you for the opportunity to be here today. I realize you had more requests than you could accommodate, so I certainly value the opportunity for the college to present here today, and I know my colleagues do as well. Thank you for the invitation and for accommodating us.

I'm going to speak about three things today. First, I'd like to tell you a little about who we are as a college; secondly, I'm going to talk about what our major issue is; and, thirdly, I'm going to leave some recommendations for you.

Given that this is the pre-budget consultation process, I assume you can well imagine our biggest issue is going to be funding. I'll begin by talking about who we are as a college. I know you've been completing these exercises elsewhere, so you have a sense of what the community college system is about in Ontario. In terms of our particular college, we have 4,500 full-time students and 10,000 part-time students. We offer a full range of programs, from post-secondary education through to apprenticeship and basic skills. We're not dissimilar to other colleges in that we serve a fairly large region. Our main campus is here in Thunder Bay, and we have six regional centres as well, as far north as Sioux Lookout. Geraldton, Marathon, Fort Frances, Kenora and Dryden are our campus locations, so it is a very large territory that we serve. We tell people the territory we serve is the size of France, if that gives you a context in terms of distance and space.

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We have over 50 post-secondary and post-diploma programs at the college. If we had three hallmark programs, or programs for which we would be best known, they would be our aviation programs. We have aviation maintenance, flight and manufacturing, and we have aboriginal programs. Law and advocacy tends to be the one for which we're most recognized. Our newest programs are in the field of media: film production and multimedia. So that's just a general overview of who we are and what we're best known for.

Just so that you can see the size of the area that we serve in comparison to the rest of the province, the other 24 colleges consume this part of the province, and this is the large sector that we serve as a community college. It serves area 18, which is over half the land mass of Ontario.

The other interesting statistic that I can share with you today is that Confederation College is the largest user of Contact North services. We use Contact North as our means to connect with our communities to be able to pro-

vide both part-time and full-time studies to the students within the catchment area.

I just want to give you a little bit about the history of the funding for community colleges and how it's changed. These statistics that I'm sharing with you are provincial statistics. The enrolment in community colleges in the last 10 years has increased by 35%, and government funding is down 39.9% of operating funds. We are the hardest-hit sector per client of all sectors that are served by the government. In Canada, nine provinces have already increased their post-secondary funding, and 43 out of the 50 states have increased their post-secondary funding as well. The Ontario colleges are one of the lowest publicly funded systems in Canada and the United States. This is a major issue for us as we try to meet the needs of our communities.

One of my fundamental beliefs about community college education is that we are inextricably linked to the success of the community. When communities are successful, the college is successful, and the opposite of that is also true. The reason for that is because of our link to economic development. We prepare people for the workforce, so the colleges do play a critical role in our government's agenda.

Just a story about tuition fees and how the tuition fees have changed over the years. Since 1991, tuition fees have increased 132%. We are now limited to a 2% increase in funding, but the overall average in that last 10-year period has been a 132% increase. Even with that increase, we are still below the average and the median of all provinces in Canada. The university tuition fee is almost \$4,000. But probably one of the biggest concerns we have is that student debt continues to rise. It's not uncommon for us to hear of students graduating with \$20,000 and \$40,000 worth of debt after having completed their post-secondary studies.

There has been an argument that the tuition fee is meant to offset the decrease in government funding. That does not compute. The net decrease in funding, regardless of the increase in the student funding, is a 35% difference. So we still have a decrease of 35%, regardless of the increase in the student tuition fees.

I'll give you an example of what's happened to our operating revenue in the last few years. Initially, in 1994-95, we were operating at about \$63 million, and right now we're just about \$45.5 million. That's the graph that shows the decline in the funding to our college, in particular, during that same time period.

What kind of an impact has it had? We've eliminated 10 programs that we previously were able to offer throughout our catchment area. We've consolidated seven of our technology programs. The reason that is significant is that one of the areas this province needs to continue to prepare graduates for is the whole field of technology. It is a growth sector, and yet we were having to consolidate our programs because of the cost of delivery of those programs.

We have been able, in spite of the funding decrease, to develop seven new programs in the last 10 years. Our

enrolment has increased at this college by 7%. We have five new programs planned for the fall of 2001, in spite of the fact that we're getting no new funding for new programs. So the theory of us doing more for less is really true, but we're on the verge of no longer being able to do that. I think we've arrived at the stage of no longer being able to do more with less.

We talked earlier about the fact that the funding to colleges has been decreased by 39.9%. Interestingly enough, our full-time faculty ratio is down 39% in the last 10 years. Our full-time administration is down by 35%, full-time support staff is down by 26%, and we have lost 33% of our workforce since 1992. So it's interesting that the funding was decreased by 39.9% while our staffing has decreased by a third at the same time.

I want to speak about one of the trends that you're going to be hearing more and more about, and that is the trend toward e-learning. Confederation College has been at the forefront of alternative delivery for years. We have been servicing the six communities that we serve, that large land mass, through audio conferencing and video conferencing. The shift now is into e-learning. I'm sure you're going to be hearing at the government tables as the presentations come forward about the Ontario Knowledge Network for Learning. I know they are asking for funding. The Ontario Knowledge Network for Learning is a very critical part of our ability to be successful within our catchment areas and I would ask that you give it due consideration and support as well.

You do hear about the great digital divide. When that terminology is used, it is usually based on economic lines. I am discovering in northwestern Ontario that the great digital divide does not only apply from an economic perspective but is also a geographic issue. We do not have the infrastructure in place to provide e-learning. I can ship a course to China faster and easier than I can ship it within my catchment area using technology. That's the kind of change that we need to see happen within our province. In terms of the need to shift to be able to offer courses through e-learning, it will make us a provider of that service as opposed to an importer of that service. I think that's an important role that we have to play as educators.

In terms of the recommendations that I would like you to consider as they apply to funding, obviously we need to increase the funding levels for colleges. Also, the aboriginal funding needs to be increased. If there were any way to sign an agreement between the province and the feds for HRDC training, that would be wonderful. Obviously, supporting the telecommunications infrastructure in northwestern Ontario is critical, as well as support for the Ontario Knowledge Network for Learning report that I assume you've already seen.

In terms of some of the specific details related to that, increasing the funding level, what is a fair funding level for a student? That needs to be determined. I would ask as well that you examine the funding in other provinces. For example, a small college in Alberta right now gets

between \$6,000 and \$12,000 per student. Our operating grant per student, on average, is \$3,750.

We would ask that we start by returning to the 1994-95 transfer levels and that we fund the actual growth in enrolment. We are continuing to grow and yet the funding is not increasing. Interestingly enough, with all of the salary settlements that occurred provincially within the last two years, the cost of those increases has increased our costs of delivery by 12%. So we're operating at a time when our enrolment has increased by 35%, our operating funds have decreased by 39%, and, in the last couple of years, our salaries have increased by 12% across the board. Those are significant changes for us to be able to manage on that decreased funding.

We're also asking you to consider an increase in the targeted funding that is made available. There has been a submission made by the Association of Colleges of Applied Arts and Technology of Ontario, and we support and endorse their requests for funding. One of the requests that they've put on the board is to create an educational technology fund so that we can deliver e-learning courses. As a province, they're asking for \$40 million, and Confederation's share of that would be \$1.1 million.

Institutional equipment is critical. Inasmuch as our operating funds have decreased, so have the funds for our equipment. We talked about our technology programs. You all know the price of computers. All of those costs continue to escalate, and we need to be able to fund that aspect of our delivery as well.

We're also asking that the key performance funding be increased funding as opposed to part of our regular funding. The province is asking for a \$28-million increase in that, and the amount for Confederation College, if that were done on a pro rata basis, would be \$750,000.

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Faculty renewal is an important element and you're starting to see that in the paper, particularly as it applies to universities. It also applies to colleges. Professional development budgets have been slashed throughout the years, and we need to ensure that our faculty remain current and relevant. Faculty renewal is critical. We're asking for the ATOP funding to be maintained this year at the same level it was last year and the amount for Confederation College out of that would be \$680,000.

In terms of the aboriginal funding that I mentioned earlier, Confederation has the largest body of aboriginal students for all colleges in Ontario. The population in northwestern Ontario that is aboriginal is 18%. We need to be able to better serve these clients and we're not able to do it with our current funding. We would request a larger share of the special purpose funding for aboriginal programming so that we can continue to work with our aboriginal communities to meet their needs for learning.

We are also requesting that there be a signed agreement between the feds and the province related to training. When the college system was created in the late 1960s and well into the 1990s, the funding for all of our regional campuses came as a result of the agreement between the federal government and the provincial gov-



ement. That funding has virtually been eliminated and this has had a major impact on what we are able to deliver within our catchment area. We would ask that that be revisited and, hopefully, signed.

We talked about improving the telecommunications infrastructure in northwestern Ontario. I know it's hard to believe that we live in a part of the province where the electronic highway does not connect to the other, but that is true in northwestern Ontario. The bandwidth, for example, to access a T1 line in Thunder Bay is four times its cost in Toronto. The farther away you go from Thunder Bay, the more expensive it is. I was meeting yesterday with some of my colleagues from the boards of education in northwestern Ontario, and their costs are 14 times what it is to access bandwidth in southern Ontario. Those are costs that need to be considered. The T1 access is not available throughout our entire region and, obviously, for us to be able to meet those learning needs, you need to be able to access that kind of delivery.

In terms of a summary, as I said earlier, education and training are critical in northwestern Ontario, and the role the college plays in that is vital. We have faced the revenue declines over the past years and we've gone through what that looks like. However, we really believe that support for our colleges is critical. We often talk about the fact that the two things that separate a Third World country from a First World country are the quality of education and the quality of health. I'm concerned that we're on the verge of creating a Third World education system unless we start to fund it.

I am certainly open to questions and comments. I know my colleague Dave Ramsey would like to make a few comments as well.

**The Chair:** Go ahead.

**Mr David Ramsey:** Good morning. Just as a quick survey, how many people here have had children?

**Mr Gerry Phillips (Scarborough-Agincourt):** My wife has.

**Mr Ramsey:** The reason I asked that question is that, as an employee of the college system for the last 25 years in my capacity as a faculty member, and now in the latter five years as a counsellor, I come in contact with students who value coming to school. But my frustration as a faculty member has increased over the years because the ability for faculty members to treat students as they should be treated—uniquely, with attentiveness and with all sorts of extra help—has gradually diminished. As Pat has indicated, the numbers of students have increased and the number of people available to assist them has correspondingly decreased.

My experience in the classroom is such that some of our students—many of our students at times, given the year—don't always readily grasp the issues they have to deal with. So taking time to speak with them individually, giving them opportunities to perhaps do supplementary assignments, that's done in order to ensure that they're successful. That's always been, I think, the objective that my colleagues on faculty have had: to help the students be the best that they can be.

But we can't expect that that will happen for all of the students. Some students can come in the classroom, can readily follow the directions, can readily be successful in any assignment they're given. There are other students who need some extra help, and quite frankly, as a parent, as a citizen of Ontario, it concerns me greatly when I can't give all of the time that I feel these students need, because they're our investment for the future, as we all know. Although that may become a bromide these days, the reality is that these young people are our future.

As a counsellor I know there are many students who either have to leave school early or who can't be as successful in school as they would like to be because they've had to take more than one part-time job in order to meet their financial commitments. As Pat has suggested, the increase in tuitions has greatly burdened many students. The number of students who now need a student loan is significant, and a student loan, unfortunately, is often inadequate to meet students' needs while they're at school. So they have to take part-time jobs, and oftentimes they have to take more than one part-time job. Quite frankly, the demands we place on our students are high. We expect them to be able to cope with the academic standards that we've set, but we're frustrated when we see good students fall by the wayside because in order for them to survive economically they can't give all of their attention to their main job, which is their education.

As you may be familiar with, there have been two significant reports in Ontario on post-secondary education in the college system. The first one was done in 1985 and the second one was in 1996. The Ministry of Education, in 1996, said very clearly that if resources, mainly dollars, were not going to flow into the system, there would be negative impacts on access and on quality. The report that I've given you today, *Voices From the Classroom*, was commissioned and completed in November 1999. The main point of this document was to survey faculty across our 25 colleges. There were 517 faculty and counsellors who were surveyed, and they were asked questions as to what was happening from their vantage point on the front lines. This report very clearly indicates that the prediction that was made in 1996 by the Ministry of Education report, that if resources were not forthcoming, serious compromises would occur to the quality of education, has unfortunately come true. I want to hit just two points from this report, and I hope, if you have an opportunity, you will look at the summary because there are other good things in this report. But there are two things that my colleagues have said across the system.

First of all, they said they are dismayed and they are frustrated that the potential for dialogue and interaction between the teacher and the student in the class and after class has been seriously diminished, and it's been diminished because there have been more students whom each faculty member has had to have responsibility for because there is less faculty and there are more students in our system. Anyone who's ever had the opportunity to

try to teach something to someone else knows that it's not just the material, it's the way you convey that material that is so important. And it's the relationship that's established between the person who's trying to convey the material to the person who is the learner.

When I was a faculty member, when I started at the college 25 years ago, I had the benefit and the opportunities not only to know each of my students by name and know of their personal situations, know their strengths and weaknesses, but I also had opportunities outside of the classroom time to individually tutor them, to meet with them, to give them mentoring on their projects. That, sadly, has gone by the wayside very seriously right across the Ontario college system.

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The second point this report reveals is that the types of evaluations and assignments that are now given by my colleagues are not of the same quality that they once were. Many of my colleagues used to give essays and projects. These were huge undertakings, and many hours were spent reviewing them and helping the students come up with the results they needed to be successful. Because of the increasing numbers of students, because of the fewer numbers of colleagues, many faculty have now had to resort to multiple-choice evaluations. This is a very serious situation, because it leads to not only a uniform method of evaluation that, for some students, is not a fair way to assess what they really know; in fact, some students cannot perform well on multiple-choice testing. But, secondly, it robs the student of the opportunity to have a holistic evaluation. I would mark the grammar, I would mark the spelling, I would mark the thought process that was present in projects. But that cannot be done on a multiple-choice test, and I think that's a serious deficiency. I mourn the loss that this means for our students who are graduating today.

I know demands for money are always high. I know priorities are difficult to set. But I would ask you, in your deliberations, to please keep in the forefront that when we're talking about education, we are talking about an investment in the future of our community. We want, all of us, to have an accessible education system, one that doesn't have barriers because of increasing tuition fees—and that does produce barriers. We want to ensure that our education system is healthy so that people are not burning out in the ability to do the work that they want to do, the kind of quality things that are involved in the interaction between students and their faculty members.

Thank you for this opportunity. As Pat says, we'll certainly entertain any questions that you have.

**The Chair:** We've basically run out of time, but I'm going to be fair: I'm going to allow each caucus two minutes for a question. I'll start with the official opposition.

**Mr Phillips:** First, if I might make a comment, congratulations to the community colleges. I think they have a terrific reputation. I live in Scarborough, and Centennial has a fabulous reputation there. You're doing great work, and I think everybody recognizes it. My

congratulations. By the way, I don't have time, but you may want to read the government's own document on why you should invest in Ontario. It talks about "Ontario's highly accessible system of 25 community colleges" and "substantial reputation among employers," blah, blah, blah. It goes on to say, "Despite its massive commitment to education and training historically, Ontario is increasing its investment." That's what they're saying; the facts are a little bit different, as you point out.

Here's the challenge for us, and that is that the government has committed to substantial tax cuts. We're heading into a period of an economic downturn—hopefully not a recession, but a downturn. So that is going to be a big claim on it. The government said that health care costs will increase by 5%. They've said they'll meet those needs. In spite of what we in the opposition will say, the NDP and ourselves, yesterday the Toronto-Dominion Bank pointed out that while the US states are increasing their investment, Ontario is decreasing its investment. There is not the public cry that there should be in this area. I guess I'm looking for advice from the colleges. How can we mobilize more public support for the cause? That will be necessary to actually make this happen, because the opposition has a relatively limited influence on the government, tragically.

**Ms Lang:** That's an interesting question. Part of the dilemma in responding to the need to make this a public issue is if there were some way for us to resolve the issue without it being a public issue, that would be the direction I would prefer to choose. The reason I say that is I don't want the public to lose confidence in the system that we offer. So we've been trying to keep this debate out of the public realm and off the front of the newspapers for that very reason. Maybe what you're telling us is we need to rethink that and maybe through ACAATO and provincially we need to start to be on the front page of all the newspapers and get that message out. But our approach has been to try to keep that off the front page because we don't want the families and the students to be concerned about the quality of their education.

The other challenge we're going to face is that when there is a downturn in the economy, guess what students do? They go back to school. So as the economy goes down, the enrolments in community colleges increase. That's a trend we've seen unfold over the years and I would think we're going to continue to see that. So we're going to be hit again.

**Mr Christopherson:** Thank you both for your presentation. Like Mr Phillips, I'm lucky to have a prestigious community college in my riding, as part of my new expanded riding, Mohawk College. I'm sure you know Catherine Relling. We're very proud of the co-ordination.

You didn't get a chance to talk on, and if you get a second I wouldn't mind hearing just a little comment about—I know we're tough for time, Chair. In Hamilton, McMaster University and Mohawk College—and I happen to represent both—have been working diligently under Keith McIntyre, who played a key role in making



that happen, in trying to have more co-operation, co-ordination and fluidity in terms of the students' educational career between the two institutions. I think that's giving us some real advantages. I'd be interested to hear whether you have a similar relationship happening.

I'm just going to get all mine out, David, because the Chair's going to shut me down at any moment and I want to try to get as much as I can out.

**Ms Lang:** He knows you well.

**Mr Christopherson:** Oh, yes.

I also was very impressed by the fact that—I guess this is directed toward you, Pat—you have both union representation and board of governors representation here making your submission. I think no matter who the party is in power, that always tends to have a stronger impact on us, because you're speaking with one voice. It's obvious why that works on us.

I also wanted to mention that it's a shame we can't see the government seeing the benefits of investing—not spending per se, but investing—money in our post-secondary education system, as easily as they do in, say, the mining industry, which was just in here a little while ago. They're all for that—"Yes, it's a great investment; that's going to help out"—but somehow they don't seem to see the same equation. As Gerry mentioned earlier, we had the TD Bank. I've raised this whenever we get an education submission, because I think it's terrific that the chief economist with the TD Bank, in his presentation, took two of the charts he presented to us and spoke in a business context about the concern they have for the declining investment in post-secondary education. You may want to get a copy of that or be aware that you have an ally in the bankers. That usually comes as a surprise to all of us when it happens.

The last thing is the point you ended on just now about increased enrolment. Am I hearing you say that you have some concern that if we have the same kind of trend and we get into a bit of a longer downturn, you may not be able to meet that demand, thereby denying a whole lot of people who are looking at this as their hope for the future being shut off from it, and where else do they go if the jobs aren't there and they can't get into community colleges? I would suggest maybe the same thing is happening at the university level.

**Ms Lang:** I'll answer your three questions. The first one is in terms of our relationship with Lakehead. Yes, we do have a very positive working relationship with Lakehead, and the two presidents have just decided that we're going to create a blue-ribbon panel to take a look at what kind of opportunities we can create to create a greater seamlessness and a greater transferability and accessibility between our two institutions. That will be unfolding within the very next period of time.

In terms of my colleagues being here with me today, I did want to tell you our students were due to come with us as well. Unfortunately, it's election time and I know each and every one of you understands what it means when it's election time. They called and apologized at the very last moment, but they needed to do some elec-

tioning. So there they are; they would have been here as well.

**1200**

In terms of the impact on enrolment, not only will we see an increase in enrolment when we see a flattening of the economy, but we are also getting prepared for the double cohort. My colleagues, the directors of the boards of education in northwestern Ontario, said yesterday that it's not going to be a double cohort; it's going to be a quadruple cohort because of the number of students they have who are fast-tracking through high school to get ahead of the double cohort.

**Mr Christopherson:** I don't blame them.

**Ms Lang:** So I think it's going to be a bigger issue than just the double that they're predicting. I think we are going to be affected by that.

**The Chair:** Thank you very much.

**Mr John O'Toole (Durham):** It's Pat and David, is it?

**Mr Ramsey:** Yes.

**Mr O'Toole:** It's a pleasure. To answer a couple of your questions, I have five children, all of whom have gone to university. In fact, one did a graduate degree here at Lakehead. As a parent of five children, the \$40,000 debt load is unimaginable to me. How someone could do that would perhaps be an argument in itself. I could say that if any of mine ever accumulated—we're just average people, and I'd be depressed that their future didn't look very good in terms of money management.

I am also very proud to have Durham College in my riding. It's a wonderful facility. In fact, Gary Polonsky is from here. He's a wonderful guy and a great initiator, if you will. He is very much pushing what he would call the applied degree status for the colleges, and perhaps you could respond to that.

More importantly, I recognize the job you're doing under difficult circumstances. Certainly a geography the size of France is pictorially easy to understand. I think that e-education, as you called it, is a solution that has to be there, not just for you but for the whole issue of access and affordability. It's certainly one of the solutions—not the only one. The socialization part of it, the contact, is extremely important, and I understand that.

The Ontario Knowledge Network is moving forward, and you talked about contact learning, is it? Is that the program?

**Ms Lang:** Contact North.

**Mr O'Toole:** You talked about some of the digital divide infrastructure questions. Hopefully, they are being addressed. I know that under Minister Wilson that whole access question is paramount in the Ministry of Energy, Science and Technology. In your response you could probably give me some response to that as well.

On the funding—I am quite interested in the double cohort, the increasing enrolment issues—would you like to see tuition tied directly on a per student basis, where it's a per student and not a course load issue? If there was funding, we'd tie it directly to students. As you know, the KPIs, the outcomes, the key performance indicators are

absolutely critical in the new funding piece. Not everybody can be teaching hairdressing at every college just to fill courses.

I want to admit that the government has made a significant commitment, as you know, through SuperBuild. That SuperBuild commitment, in capital, is \$286 million. I think that funding will eventually follow up with operational funding.

**The Chair:** Mr O'Toole, you're going to have to wrap up your question.

**Mr O'Toole:** I just want to make sure there is one fund you are involved in: the strategic skills investment fund. In my understanding, with the global entrepreneur and electronics commerce course you offer, you are a recipient of funding under the SSI fund.

I appreciate your being here. I appreciate the job you are doing. As parents and taxpayers, we certainly want to help make sure you are able to deliver quality education in the future. I appreciate your plea to us this morning.

**Ms Lang:** Thank you. In terms of the student debt load, what I will do, if you give me your business card, is get information to you on the student debt load. It is very real and I think we need to be cognizant of that, so I will get you that information.

One of the questions you had was around the infrastructure that needs to be built. The one caution I would have for the government is: education is asking for an infrastructure, telehealth is asking for an infrastructure, the municipalities are asking for it, and I have a concern that we're not going to coordinate all of that and we're all going to be asking for the same thing and somehow we're going to overspend in one area and underspend in another. So I ask that there be a concerted effort around that across all ministries and across disciplines.

Your other question was with regard to—I'm having a senior moment.

**Mr O'Toole:** The access and some of the technical difficulties, your bandwidth and that. Are you able to deliver distributed learning? It sounds like you are.

**Ms Lang:** We are, but only to our campuses.

**Mr O'Toole:** It's not at the home.

**Ms Lang:** It's not at the home, because the access lines are not there.

I do appreciate the special funding the government has provided. We were not only given money under the SPI fund but also under SuperBuild. We were given \$3.9 million for that. That is wonderful and we truly appreciate and value that and will use it wisely. The challenge is that it is not operating, and we need both. So we're going to have a building and we won't have the operating funds.

**The Chair:** With that, I have to bring the discussion to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr Ramsey:** I would like to say just one word, if I may, Mr Chairman.

**The Chair:** You certainly may.

**Mr Ramsey:** A question was asked about collaboration. I am glad to hear Pat say that a committee is

established, but as a faculty we are deeply disappointed that, where every other college has managed to make arrangements with a university with the same kind of qualifications as our nursing faculty, the collaborative arrangements between our two nursing faculties have not been successful here. We are hoping we can have some sort of mediation to assist in this process, because it will gravely affect students in this community who wish to be educated here, and we feel we have a responsibility to those students to make this program accessible to them.

One last comment, if I may, about the advocacy issue. I think it's your responsibility as leaders to ensure there is equitable funding for all three public services, whether it's health, education or social welfare, because these are the tripods that our society rests upon. If one of those legs is missing, we are going to have significant difficulties in this society. I hope that you will, in your wisdom, ensure there is equitable funding for all three serious public services.

**The Chair:** One announcement: the shuttle bus for the airport will be leaving at 6 o'clock in front of the hotel, so let's be on time.

**Mr Christopherson:** Will the room be secured during the lunch break?

**The Chair:** We'll make sure it is.

The committee is adjourned until 1:30.

*The committee recessed from 1208 to 1326.*

## THUNDER BAY TRANSPORTATION AND INDUSTRY COMMITTEE

**The Chair:** Good afternoon, everyone. If I can get your attention, I'd like to bring this committee back to order.

Our first presenters this afternoon are representatives from the Thunder Bay Transportation and Industry Committee, if you could please come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Jim Pretchuk:** Thank you very much. My name is Jim Pretchuk. I am the treasurer of this transportation and industry committee. I presently have been the chair of the National Transportation Week committee in Thunder Bay for the last six years and sit on the chamber of commerce transportation committee and get paid by Consolidated Fastfrate.

**Mr Hartley Multamaki:** Thank you very much. My name is Hartley Multamaki. I'm the vice-president of planning and development for the Buchanan Group of Companies, and I also sit on this transportation and industry committee as one of the industrial representatives, basically representing a part of the heavy industries that are in Thunder Bay and the region.

To give you a bit of background on the Thunder Bay Transportation and Industry Committee, it has been around for a number of years now and it represents over 30 of the major transportation and heavy industrial companies in Thunder Bay and throughout northwestern



Ontario. That's a range of everybody from very small trucking companies through to major multinational organizations, from the one and two employees up to the several thousand, 4,000, 5,000, 6,000-plus employees. So we do have a broad base of representation. We are very committed and knowledgeable in the transportation end of the industry. We're hoping we can bring some valuable points for consideration to your deliberations.

We're going to try to limit this to about 15 or 20 minutes, the presentation part, because we're quite prepared to answer questions and we think it's very valuable that you have the opportunity to ask us. There may be some members in the crowd as well who are with us, by the way.

The first issue we wanted to talk about was the load restriction issue. This is the half-loads issue on secondary highways in northwestern Ontario. It applies throughout northern Ontario but particularly in northwestern Ontario, which affects the city of Thunder Bay and the surrounding area.

There was a recent change in legislation that moved the load restriction date back from March 1 to February 15. That's a huge fundamental change in how the Ministry of Transportation does business, and the rationale behind that of course is that you place half-loads or load restrictions on heavy trucks to limit the amount of damage to secondary highways during the spring breakup period. I guess the thinking on it is that we are experiencing some difficult weather patterns; warming up is happening much earlier. I'm not sure that we necessarily buy the fact that suddenly global warming has hit and the spring thaw has moved 15 days earlier into February. I think that's something that is more of a long-term issue than a four-month or six-month issue. However, the impact of load restrictions on the resource-based industries, particularly the pulp and paper industry, the sawmilling industry and the wood-using industries, is huge.

Really, the issue there is that the forest-products industries start cutting winter wood down in the swamps about January 1. We have basically six weeks to cut, skid to roadside, process, load on to trucks and haul that wood to the mills to build up enough inventory for five to six months' worth of operation. That's assuming that this date of February 15 is enforced. In the past, it has always gone into March 15, maybe March 2, March 3.

To put it into perspective, that additional 15 days will mean that the forest-products industry in northern Ontario could potentially have to move an additional 30,000 loads in those 15 days, and I don't believe it can be done and I don't think any of my colleagues believe that can be done. The vehicles simply aren't out there, and the ability to harvest wood that quickly isn't out there. So it has the potential to have a huge impact on the resource-based industries in northwestern Ontario.

Also, to try to put it into perspective, the city of Thunder Bay sees approximately \$2.8 billion worth of forest products flow through this city, all of it over the

Queen's highways, and any change in those dates has the potential to impact on that.

I'd also like to point out as well that there is a huge amount of crown revenue that's involved in the resource-based industries in the form of stumpage. The forest-products industries pay a large amount of money to the province of Ontario for stumpage. If we don't move that wood, the stumpage doesn't get paid and it doesn't get collected. Also, there's personal income tax, corporate income tax and fuel taxes. I understand that there are going to be other groups that are going to come forward with this discussion of the issue of fuel taxes and how it affects industry. That's a problem for us as well, but I won't dwell on it here because I understand it will be dealt with by other groups.

I want to leave you with the understanding that this change in load restrictions on highways, first of all, is a huge issue for us and needs to be addressed; and second, with the thought that the simple solution of course to it is to upgrade our secondary highways to a standard whereby there's no necessity for putting on load restrictions. It is a monetary issue. Upgrading highways is very expensive, but I think the payoff in the intermediate to long term is certainly there. It allows us to operate 12 months of the year on the highways and not have to carry huge inventories, and in this case we may not even be able to build the inventories to keep our operations going.

The other issue I'd like to bring your attention to is the recent turnover in the last decade of a number of highways to local municipalities, towns, cities and whatnot. There are a number of roadways out there that have been turned over, and there have been indications that some of the local communities would like to place load restrictions, ie, move heavy truck traffic off these undesignated or redesignated highways. That again is a huge problem for the transportation industry and the heavy industries that rely on truck transport, because it means that in some cases there is limited or inappropriate access to the industrial facilities. An example of this is the main road through Greenstone, the old community of Geraldton. There have been discussions of closures on that road. It is the only highway to the latest and newest sawmill, which was an investment of \$50 million to \$100 million, which would be in jeopardy if that were the case. It's the same thing with highways like Highway 102, which is Dawson Road coming into the city of Thunder Bay. The Trans-Canada traffic relies on that basically from Vancouver to Toronto. It is part of the Trans-Canada traffic. Also, the local industry relies very heavily on Highway 102.

I think we'd like to leave you with this thought: there should be a dedication of highway traffic corridors and some mechanism for ensuring that these are protected and that industry can make multi-million dollar investments and be able to count on the fact that those traffic corridors will in fact remain available to them on a permanent basis.

Finally, I'd like to touch on the issue of dedicated funding. I think all of the issues we've discussed so far really rely on having dedicated funds to deliver on the

programs, things like upgrading the highways. Obviously it takes a fair bit of money to bring a secondary highway to a primary highway status and eliminate the need for half loads, and it obviously takes dedicated funding to deal with some of these municipal type issues with load restrictions and road closures. The obvious solution to the Highway 102 problem, of course, is to construct the Shabakwa bypass, which would eliminate most of the need for Highway 102 to remain open. We are suggesting that there are various avenues available, things like the SuperBuild fund, things like the northern Ontario heritage fund. They have been very helpful in the past, and our organization strongly supports the continuation of these funding sources and perhaps the dedication of portions of those sources of funding to transportation issues.

At this time that's all I really had to say, but if there are any questions, we'd be pleased to address them.

**The Chair:** Thank you very much. We have 15 minutes, approximately five minutes per caucus.

**Mr Christopherson:** Thank you very much for your presentation. I have to say that one of the benefits of travel is that it gives you a new opportunity to have a different first impression when somebody throws something out at you. For instance, if you talked about transportation problems to most of us while we were back at Queen's Park, the first thing you think of is of course gridlock in and around the GTA, which is a real problem even for your industry. But if you're from the north, this is likely to be the first thing you think of. So I just want to say to everybody that it does underscore the importance of getting around. As much as it's not always convenient, it does seem to be important.

I just wanted to talk to you about the communities that have responsibility now for the highways. I'm a former municipal councillor, so I understand sort of looking at the world from that point of view. Are these areas where there were traditionally problems anyway even when the province still had control over those highways, that there were still these concerns being raised in these communities, or did something change besides just responsibility?

**Mr Multamaki:** It really depends on the individual situation. I don't believe, from my conversations with other people within the industry throughout the province, that this is an isolated instance in northwestern Ontario. It's occurring in a number of locations, from what I can tell. I think it is on an individual basis. It depends on the history of each individual highway or road that MTO previously had responsibility for and that was turned over to the municipalities.

It appears to me that it is somewhat of a standard problem that's combined with things like municipal planning processes and zoning changes and so on. But over time, what has tended to happen with these transportation corridors is that they start off as a main highway, and as the community grows it tends to place what we would consider somewhat inappropriate uses adjacent to the highway, such as residential, schools and so on, without

the appropriate setbacks or the appropriate planning. Over time, it gets to the point where people start to complain that there is in fact heavy truck traffic on the highway. Also, there are a whole bunch of things like increased traffic as the economy picks up and so on, and as the community grows. So there are a whole bunch of contributing factors to this issue.

At the end of the day, as long as it was under the control of the province, it was always recognized that there would be heavy traffic on the highway itself and there was really nothing anybody could do about it; it's got a long history of that and there's a lot of investment on it and, no, we will not change the fact that it's a designated highway and there are trucks on it. Once the province relinquishes control over some of these critical highways, then the local decision-making takes over.

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**Mr Christopherson:** Then you can do something about it.

**Mr Multamaki:** That's right. Then you can actually do something to address these situations. There has been the intent to do that in some locations, which is a huge problem because industry does make investments based on the fact that you have the free flow of goods and products.

**Mr Christopherson:** I wouldn't question that at all.

The other side of it is that regardless of whether it was poor planning or not, if you've got trucks rumbling in front of your house or in front of the daycare centre or school, it's going to add to your concern, especially if you're new to the community and don't know the evolution of it.

**Mr Multamaki:** Absolutely.

**Mr Christopherson:** Assuming that it's one of those where you don't have an easy, "You're right; you're wrong," because anybody can do those—we tend to get the ones where, "They're right and they're right," and now what do you do? Let's just assume for the sake of argument that you've got situations where the communities have a legitimate concern that they've raised. Certainly I don't think anybody at this table would argue that you haven't raised legitimate concerns. What do you do? Are there any other win-win solutions, or do they cost money? If you're going to build detours around each of these—

**Mr Pretchuk:** It costs huge dollars. You're absolutely right. As a community, as a taxpayer, as a business owner, runner, we don't believe in spending money needlessly. Some of the solutions are dreams. I don't want to get rid of anybody's dreams, but let's face it, some of them are dreams. So what we're asking for is just some firm legislation in place and then to have them looked at so that we don't have to get bogged down with what in most cases is pretty obvious: you just do not change a Queen's highway without building a massive, multi-million dollar alternative.

**Mr Christopherson:** But again, you can appreciate the council's concern that, number one, they are getting pressure from their constituents and there are perhaps in



some cases legitimate health or safety concerns, and to just take a blanket provincial law that says, "No consideration whatsoever. It is and it shall forever be," may be a little bit short-sighted. I'm saying there's no easy answer here.

**Mr Pretchuk:** You're right. We agree with that. Again, every community would be different. If there are alternates, everybody should work together to do it. If there aren't, then we don't want to have a situation where you're sweeping your dirt under your neighbour's doormat, and in some cases that's what it is. It is a municipal concern, and I think the municipality should just somehow put an end to those—

**Mr Christopherson:** You can see why they get upset, though, because they're paying the freight. They're maintaining it, they're responsible, and now they are going to accept this problem that they don't have to any more. Why should they?

**Mr Multamaki:** I think, though, there are some legitimate ways of at least addressing some of these situations. For example, yes, the municipality does take over the costs of having traffic on that particular piece of ground, but in exchange for that they also collect taxes from the industry that is using that. There may be the opportunity, for example, through provincial transfer payments to the municipality, for something with respect to the fuel tax. I don't know that—

**Mr Christopherson:** Don't hold your breath.

**Mr Multamaki:** I understand there may be some challenges there, but that is the sort of thing. In the past there has been compensation in most of these cases from the province to the municipality to take it over.

**Mr Christopherson:** The council would still benefit when the province owned it, and they didn't have to pay the bill.

**Mr Multamaki:** Yes, but they also received a payment in most cases when they accepted responsibility for that.

**Mr Christopherson:** The whole downloading thing is a big—there's not total agreement.

**Mr Multamaki:** It is an issue, and I don't think it's necessary for us to get into that. I think there are other things as an industry as well that we are obligated and we have a responsibility to do as well in this situation. I'm not sitting here telling you, as heavy industry and as the transportation industry, that we don't have some obligations as well. If it's a health and safety issue, if it's a speeding issue, if it's a noise issue, we have an obligation to the people of Ontario and the people in the community to deal with that as best we can. Part of the mandate of our committee is to look at each of these situations, and we have zero tolerance for things like that.

**Mr Christopherson:** But you can't do that—if you're not able to take care of your business, you can't do those things either.

**Mr Multamaki:** I see it as part of our business.

**The Chair:** With that, I have to go to the government side. We've run out of time. Mr Galt.

**Mr Galt:** Thanks for your presentation. I think I remember, either with this one or the presentation of the

Task Force on Rural Economic Renewal, the talk about the half-load issue.

Can we explore that just for a few minutes? You're concerned about the date changing. I can understand that. There must be ways of predicting when the roads are going to be in this condition.

As a kid driving a tractor on the farm, in the morning you could go across a ploughed field, and in the afternoon you'd get stuck just because of some frost on the ground. I would think on a highway there's a certain amount of frost that's going to carry a vehicle fully loaded versus a day once it starts to thaw out. Meteorologically, can this not be predicted?

**Mr Multamaki:** Yes. Other jurisdictions are using a number of different techniques and technical methods for determining when half-loads should go on, from a meteorological perspective. One, obviously, is frost probes, where you install frost probes in these highways that are subject to load restrictions. Based on the amount of frost in the road base, you place the load restrictions.

There's a certain amount of art involved in that science as well, because every road base is not exactly the same, but it does give you a fairly reasonable estimate of the amount of frost and the loads that could be carried on it. We certainly support the use of technical assistance and tools of that nature to help in the decision-making.

**Mr Galt:** Now, the technology is there to say, "Today it's safe and tomorrow it's not," or vice versa, and I expect pre-February 15 there's probably the odd day that you shouldn't have that big a load on; I don't know, but possibly. How do you get the message out and how do you police it? Is this something that could be handled on the weather channel? How would truckers be informed? Would there be an 800 number to dial into? There is policing and you don't want them out on a day when it's really going to wreck the roads. You want to be able to say, by law, if somebody's stopped with a full load and it's going to stand up in court, that they're doing something they shouldn't be.

**Mr Multamaki:** Yes, there certainly is the legal perspective on that. I think the reality, though, is that on roads that are half-loaded, there is signage on them. When the signs are up, you cannot travel on it. When the signs are down, then you would be able to.

In the past we have always supported what we call "bagging." You bag the signs when it's suitable to travel on it with full loads. You take the bags off the signs so that the signs say the half-loads are in effect and you go ahead.

It's very easy to inform the trucking industry that this is the way the system works. Certainly, there is a variety of methods that could be used, whether it's a call-in number or it's a contact number or whatever. We're in an age where technology is very good for that. It may be just an e-mailing list that comes out and every morning the transportation managers check that list or phone that number or are phoned by that number and know whether or not the road they're interested in is available.

**Mr Pretchuk:** But that's not happening right now. The important thing is that everybody understands what's

happening now is that a news release is put out prior to the half-loads. It's in stone, more or less.

**Mr Multamaki:** That's right. Where it goes up, it goes up.

**Mr Pretchuk:** That's the problem, because what will happen is, let's say the 15th was half-loads, and along came the 15th and it was freezing cold and it was cold for another three or four weeks. We want to see something that can happen very quickly, at least addressing some of these ideas with the technology we have, an 800 number etc, where the ministry will show the flexibility. Right now, that's where our concern is: OK, once it's said, it's done and that's the end of it.

**The Chair:** We have to go to the official opposition. Mr Kwinter.

**Mr Kwinter:** Yes, I'd like just to follow up on that because I have the same concerns. Is this new legislation mandated that on February 15 half-loads go into effect regardless of the weather?

**Mr Multamaki:** No, it's not mandated, but it allows MTO to put the half-loads on as early as February 15. It does not allow MTO to put them on prior to February 15.

**Mr Kwinter:** And once it's on, it can be taken off if the weather allows it.

**Mr Multamaki:** Not very easily. I'm not sure of the legislation on it. This is the bagging issue, where they can bag the sign. It appears to be a very, very difficult process. I don't believe it's a legislative process. I believe it's the policy, procedure and internal workings of MTO that prevent them from easily reopening a road once it's on, because there's a 30-day public notification process that goes into the paper, and it's this whole policy and procedure on notice that appears to be the hang-up with MTO.

1350

**Mr Kwinter:** Just so I understand it, there is the flexibility that they don't have to commence the half loads on February 5. They can, but they don't have to. But you're saying that once they do—for example, if there's a really cold spell on February 15, they could postpone it until they think the conditions warrant it, and then, once that happens, it's difficult to take it off.

**Mr Multamaki:** In fact, right now, half loads could be on every highway in northern Ontario. It is after February 15 right now. The problem for industry is that we can't plan for a March 1 deadline to build our inventories in the mills if we know that the ability to put half loads on comes on February 15. We can only plan on February 15, because it can occur that early. We have to make sure we have the inventory in the yards to keep our mills running prior to February 15. We can't say, well, the weather might be cold until March 1, so we'll plan to move all that wood up to March 1. We now have to have every stick of wood that we need to carry us through till about June 15 in the millyards by February 15, and we don't start cutting in the swamps until January 1.

**Mr Kwinter:** Does this issue only pertain to the forestry industry?

**Mr Multamaki:** It's primarily a forest industry problem or concern, but also for the mining industry,

who move heavy equipment and that sort of thing, drill rigs and so on. It does impact them to a certain degree as well, and it also to a certain degree affects some of the highway haulers who are hauling into places like Armstrong, Aroland—

**Mr Galt:** Pickle Lake.

**Mr Multamaki:** Pickle Lake, yes. So it is an issue for the trucking industry in general, but primarily for the forest products industry. By the same token, the forest products industry is the bulk of the industry in northern Ontario.

**Mr Pretchuk:** It literally doubles the cost.

**Mr Phillips:** Just to comment on that, I went out for a walk at noon, and there's no need for a half-load limit today.

**Mr Pretchuk:** Absolutely. You can make the decision.

**Mr Phillips:** I hope you can rest comfortably until tomorrow at least.

But my question is, what has led up to this? We've gone through a local services realignment; that's the term that's used. In my judgment, there's about \$1 billion of capital that used to be spent on things transferred to municipalities that hasn't been accounted for, and I think municipalities are now starting to realize there were two parts of the downloading. One was the operating and the other was the capital, and in my opinion there is a \$1-billion shortfall on the capital side.

I'm just trying to determine: have municipalities been encouraging the Ministry of Transportation to move this deadline up, or did the Ministry of Transportation simply decide that now they needed to move it for their own reasons?

**Mr Multamaki:** I do not believe the municipalities on secondary highways that are controlled by MTO are encouraging them at all; in fact, quite the contrary. It's not in a municipality's best interests to have half loads on the Queen's highways, where they pay none of the costs. The cost of highway maintenance is entirely the province's.

**Mr Phillips:** So this is purely on provincial highways, then? There's no municipality that's moving these load limits?

**Mr Multamaki:** That's right. There's another issue with municipalities. There's a whole number of municipal roads that are half-loaded by the municipalities themselves, but that's a separate issue. That's an issue we have to deal with directly with the municipalities.

**Mr Phillips:** And they have the right to determine those dates independently.

**Mr Multamaki:** Yes, they do.

**Mr Pretchuk:** They generally tend to follow the ministry.

**Mr Multamaki:** Yes, they do. They tend to follow the ministry. The other thing is that when MTO puts the half loads on, the municipalities tend to follow suit at the same time. If MTO puts the half loads on on February 15, like yesterday, a fair number of municipalities would probably look out the window and say it's not necessary,



because they live in those communities and they realize that, for example, yesterday in Nakina it was  $-32^{\circ}\text{C}$ . It was raining in Toronto. Obviously, in Toronto you would want to put half loads on. In Nakina, you've still got at least a month before you would think about it. So it's a case of scope and geography and everything else with this half-loads issue. There's a huge difference in weather patterns within the province, even within northwestern Ontario. Fort Frances tends to break up and the roads tend to be in jeopardy much earlier than they are on the Nungesser Road, which is 50 miles north of Red Lake.

**The Chair:** With that, we have to bring an end to the discussion. On behalf of the committee, thank you very much for your presentation this afternoon.

#### KINNA-AWEYA LEGAL CLINIC STEERING COMMITTEE ON SOCIAL ASSISTANCE

**The Chair:** Our next presenters are the Kinna-aweya representatives. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon. If you could please state your name for the record also.

**Ms Sarah Colquhoun:** My name is Sarah Colquhoun. I'm a lawyer and the coordinator of legal services at the Kinna-aweya Legal Clinic in Thunder Bay. Kinna-aweya Legal Clinic is funded by Legal Aid Ontario to provide poverty law services to low-income people in the district of Thunder Bay.

I am also a northern clinics representative on the provincial Steering Committee on Social Assistance, which is an organization made up of legal clinic advocates from across the province, lawyers and community legal workers. Our mandate is to work toward systemic solutions for problems that our clients face with respect to the social assistance system, and that's what I would like to speak to you about this afternoon.

Our clients are people struggling to survive on social assistance in Ontario. Even for the other work that we do—for instance, at our clinic at Kinna-aweya more than half of our casework at present is with respect to disability appeals for the Ontario disability support program. We also do appeals for other income maintenance programs, tenancy work and other poverty law issues, but most of our clients are on social assistance. They're in receipt of either Ontario Works benefits or Ontario disability support program benefits, and that's how they support themselves and their families.

It's apparent to those of us who work with and talk to people on social assistance that the struggle to survive on the level of benefits that are available today in Ontario is a struggle that is becoming more and more desperate.

Social assistance recipients are not a vocal constituency. Because of the practical demonization of people receiving public assistance in recent years, many recipients are deeply ashamed that their circumstances have forced them to rely on welfare or disability benefits. I can't tell you the number of people who have sat in my

office and said, "I know from reading the paper that people who are on social assistance are cheaters and liars and fakes, but I know that I'm honest and hard-working and I need those benefits." They have internalized the myths about social assistance recipients and they recognize that they don't meet those myths, but they still think that other people on social assistance do. They don't want to be identified as people on social assistance.

Most people who are struggling day to day to pay the rent and put food on the table do not have any energy left to be political. They are not in a position to speak publicly about the debilitating effects of trying to cope with too little money to pay for basic necessities. That's why the Steering Committee on Social Assistance has taken this opportunity to speak on behalf of our clients. Although some of us have experienced living in poverty, personally I have not, but I do have day-to-day experience of talking to people who are struggling with living in poverty. So we've taken this opportunity to speak on behalf of our clients and to urge this committee to recommend to the government an increase in social services spending in the coming budget.

We deal with lots of different issues related to social assistance at our office. We help people who've been cut off for various reasons: because they've been fired from a job because they were off sick or if they're not getting enough money because there is a deduction from their benefits for money they're not receiving. They're all sorts of issues that we deal with. In the past few years it's become increasingly clear to those of us who work with social assistance recipients that the primary issue for them is adequacy.

#### 1400

No one chooses to be on social assistance. It is an income of last resort. It's the bottom of the safety net. It's where you go when you have no other choice. The program changes over the last five years have been extensive. They have tightened eligibility requirements to the extent that everyone recognizes that there are now people in need, who have no income or assets, who are not eligible for benefits. Everyone who is receiving benefits has been pre-screened and screened and has provided written verification to verify everything that needs to be verified, and they have been determined by the bureaucracy to be in need and eligible for benefits, yet the benefits that they receive are hopelessly inadequate.

The social assistance benefits available in Ontario through the Ontario Works program and the Ontario disability support program are not adequate to allow recipients to meet their basic needs. The amount that a single employable person receives is not enough to pay rent and buy food in most municipalities in Ontario, let alone pay for other necessities like clothing and transportation. It is not a matter of budgeting more carefully or being more wise in choices; it's a matter of there simply not being enough money to pay for everything that needs to be paid for. The amount of money that people receive is simply inadequate to meet their basic needs.

In 1995 the provincial government reduced social assistance rates by 22.6%. They stated that their aim was

to set benefit rates at 10% above the average of the rates for other provinces. But the rates were set without any meaningful analysis of the cost of living in Ontario and whether the amounts provided would allow recipients to meet their basic needs.

That rate cut in 1995 was devastating for recipients. In the five years since the rate cut, despite steady increases in the cost of living, social assistance rates have not changed, leading to a further erosion of the value of benefits. The total decrease in the value of benefits since 1995 is 27% to 30%. That's a 30% decrease in the spending power of people whose benefits were already well below the poverty line. In real terms, welfare benefits at present are the lowest they have been for decades in Ontario. Welfare benefits have always been far below the poverty line; in the last five years they have been falling farther and farther below the poverty line.

There have been a number of reports written recently outlining the devastating impact of the reduction in welfare rates on families who rely on social assistance in Ontario. The Ontario Federation of Indian Friendship Centres commissioned a report, called *Urban Aboriginal Child Poverty: A Status Report on Aboriginal Children and Their Families in Ontario*, with heartbreaking stories from parents who can't provide the necessities of life for their children on social assistance. The Ontario Social Safety Network has produced a report called *Five Years Later: Welfare Rate Cuts Anniversary Report*. I've included the Web site [www.welfarewatch.toronto.on.ca](http://www.welfarewatch.toronto.on.ca) in my submission, where a copy of that report can be found, along with other very interesting analyses of social assistance issues.

Everyone who has examined this issue agrees that rates are simply inadequate. Two thirds of social assistance recipients spend more than their allotted shelter subsidy on rent; that's because the maximum amounts provided for shelter are far less than the average cost of rental housing in any Ontario city. Just to use Thunder Bay as an example, a single parent with one child on social assistance receives a maximum of \$511 for shelter, which includes rent and utilities. The average cost of a two-bedroom apartment in Thunder Bay is almost \$700. The average cost of a one-bedroom apartment in Thunder Bay is more than the amount that a single parent with one child receives for shelter. Most people on social assistance have to spend money that's supposed to be for other basic needs to maintain their shelter. Use of food banks has steadily increased as people use their food money to pay for rent.

I think it's important for you all to remember that we are talking about people who everyone would agree have no option but to rely on social assistance for their basic needs. These are people who've been through the process, they've provided all the documentation; they've been determined to be eligible. They don't have any other choice. They're people who are temporarily unemployable because of health reasons. They are single parents with small children who've just left a relationship. They're older people, 50 years old, who've been

downsized and have run out of employment insurance, have degenerative disk disease in their back and can't do the kind of work that they've done before. These are people who have no choice. That is why we have a social assistance system in Ontario: it is to provide the necessities of life for these people who everyone agrees should be receiving benefits. But the benefits they receive now aren't enough.

I'd like to give you just one example. I could sit here all afternoon and give you examples of the hardships faced by our clients, but I've included in my submission an example of a client of our office who was a woman in her early 50s who had always supported herself as a waitress. She's a single woman, no children, no family to provide any support to her. She had medical problems. She had to have surgery on both her knees, so obviously she can't work as a waitress while she's recovering from the surgery. Everybody would agree that she has no choice but to go on social assistance. She got employment insurance benefits as long as she could, and then she had no income; she had no money to pay for basic necessities. So she applied for Ontario Works benefits.

As a single person, the maximum amount of benefits she's entitled to receive is \$520. That's made up of a maximum shelter amount of \$325 and a basic needs allowance of \$195 to pay for everything. She lived in a small house that she had rented for a number of years, and the rent was actually quite reasonable. It was only \$400 a month. That's less than the average cost of a one-bedroom apartment in Thunder Bay. But once she'd paid the rent, she didn't have enough money left to pay the utilities and buy food. She's never had any experience on social assistance before; she had always worked. She was astounded because, from reading the newspapers, you get the sense that people on social assistance are living a life of Riley, sitting around drinking beer, according to Premier Harris.

So she contacted her worker, thinking there must be some mistake, that there must be more money available. She was told no, the most she could get was \$520. She said, "What can I do? I'm going to be off work for the winter. I can't go back to work for months yet. How am I going to survive?" Her worker said, "I guess you should move to somewhere cheaper." Move? This woman can't even walk. She's had surgery on both her knees. How could she find somewhere cheaper? There is no place cheaper. I mean, \$500 for a single person is really cheap in terms of accommodation.

As I said, this woman is not a woman who has choices. She has no family in a position to support her. She has no option but to rely on these benefits.

She spent the winter huddled in her frigid house, because she kept the heat turned way down because she couldn't afford to pay the utility bills. She relied on friends to bring her food. She was fortunate that she had a sympathetic landlord who allowed her to fall behind in her rent on the understanding that she would catch up later, when she was in a position to do so. Many landlords aren't in a position to be that sympathetic.



She survived, but at what cost in terms of her dignity and her self-esteem, in terms of her health? She's not an isolated example. People who have to rely on social assistance should receive enough money to pay for the necessities of life in Ontario in the year 2001.

When the cuts were made in 1995, the government promised that people would be able to earn back the difference if they found part-time work. There's a program called the supports to employment program that was introduced in the late 1980s to assist in the transition from welfare to work by allowing people to keep a certain percentage of the money they earned before they were cut off social assistance, so that even when they were earning money and weren't eligible for monetary benefits, they might still be eligible for prescription medication coverage or something, just to ease the transition from social assistance to work. It's been a very successful program, and these sorts of programs that help people make the transition from social assistance to work have been successful in other jurisdictions in Canada and in the United States.

1410

This program has recently been gutted by the provincial government. Recipients who work part-time will now be able to keep less and less of their earnings over time. The longer they have earnings, the less they can keep. Rather than an incentive to find full-time work, these changes amount to a penalty for those who are unable to find full-time work. It's basically a disguised welfare cut, as people with earnings will see their welfare benefits decrease over time.

With respect to the general issues of adequacy of social assistance benefits, the recommendation we make to the committee is that benefits must be increased generally to recipients of social assistance. In particular, social assistance rates should be raised immediately to the levels they were at before the rate cuts in 1995. In future, rates should be set after careful analysis of the true cost of living in Ontario, not some sort of artificial 10% above the provincial average which doesn't take into consideration that the cost of living in Ontario is more expensive than in other areas of the country, and provision must be made for automatic annual cost-of-living increases in social assistance benefit levels.

I've been talking mostly about Ontario Works benefits, which were subject to the rate cuts in 1995. Disability benefits, which are now paid through the Ontario disability support program, were not reduced in 1995 but have not been increased either. They are also inadequate, although they're significantly higher than the benefits available to people who can't meet the very stringent definition of a person with a disability. Time-limited changes in the variable exemptions under STEP should be revoked.

I'd like to speak for a few moments about the particular issue of child poverty. The number of children living in poverty in Ontario has increased in the last 10 years, in both relative and absolute terms. Researchers agree that adequate income and a healthy start in life

have an immense long-term impact on the well-being of children. Poor children have higher rates of health problems, learning disabilities and emotional problems.

The federal government has acknowledged the importance of public investment to protect children from poverty. The national child benefit supplement was introduced in 1998 and increased the amount payable to families with dependent children under the child tax benefit. But the provincial government immediately started deducting the amount of the national child benefit supplement from the cheques of social assistance recipients. These are the poorest of the poor children in Ontario. Yet when the federal government tried to assist their families, the provincial government simply took the money. This is a windfall for the provincial government, because it's money that's deducted from benefits that have remained static. It means the poorest children in the province receive no benefit from the national child benefit supplement.

Poor children live in poor families. They are not poor in isolation. Efforts to alleviate child poverty have to recognize that there have to be efforts to alleviate the poverty of the whole family. There are not enough good jobs to enable all poor families to lift themselves out of poverty. If every available job opening in the province was filled today, there would still be people who would be reliant on social assistance because they would not have a job. The meagre, inadequate amounts of social assistance benefits mean that children in families relying on social assistance are being deprived of the necessities of life in the present and of opportunities for the future. Report after report details the painful choices made by parents on social assistance as they try to decide whether they should pay the rent or pay the utility bills, and decide to keep children home from school rather than send them without lunch because there's no food in the house.

Benefits that are available through assistance to families with children, such as the back-to-school allowance paid in the fall and the winter clothing allowance, are hopelessly inadequate. The winter clothing allowance is \$105. That isn't enough to buy a snowsuit and a pair of boots, let alone anything else you might need for the winter. It's only available if the family has been on social assistance in the month of November. If they have earnings in November and they don't get a cheque, they don't get a winter clothing allowance in December, January or February.

Reductions in social assistance payments have resulted, as predicted by those of us who made submissions to the government about the intention to reduce, in increased pressure on other government-funded programs. You will probably all have noted in the paper in the last few days that the provincial government recently announced increases to the budgets of child welfare organizations because the number of children involved with child welfare organizations has increased dramatically in recent years. This is not a coincidence. This is something we predicted when the government indicated they were going to make less money available to families

with children. Children's aid societies across the province recognize that the increase in the need for their services is related in part to the desperate poverty experienced by families on social assistance.

We recommend that the benefits paid to families with children be increased in several ways: that the clawback of the national child benefit supplement be ended immediately and that families on social assistance be entitled to keep that supplement, and also that the amounts paid for back-to-school allowances and winter clothing allowances be increased and be more widely available.

Housing: Homelessness is increasing across the country. Reliance on emergency shelter has increased in Ontario to a frightening extent, particularly among families with children. More and more families pay more than 50% of their income on rent. Among social assistance recipients in Toronto, the number of families that use some of their allowance for basic needs to pay for shelter because the shelter subsidy is hopelessly inadequate, is higher than 60%.

The production of social housing in Canada has fallen dramatically in the last 10 years. Waiting lists for subsidized housing have grown just as dramatically. The goal of affordable, safe, secure housing for all families is of course a long-term goal and is dependent on senior levels of government developing a long-term housing policy. But in the meantime, it's important that low-income families be provided with sufficient resources to secure adequate housing. Shelter costs, which are the most significant item in the budget of most families, including families that depend on welfare, are much higher than the maximum amounts available for shelter in social assistance programs. The shelter subsidy amounts are simply too low.

Even families that are fortunate enough to live in rent-geared-to-income housing find that their tenancies are less secure than was previously the case. Our legal clinic provides services in tenancy law. Prior to the welfare rate cuts in 1995—and I've been doing this work since 1984—having a client who was being evicted from subsidized housing because of rent arrears was really rare. People recognized the importance of trying to maintain subsidized housing, and they did everything else to catch up if they fell behind in their rent. They used their food money and went to food banks. They cut corners in other areas and got their rent paid up to date. It was really rare to see somebody being evicted from subsidized housing for rent arrears.

Since 1995, our office has seen dozens of families facing eviction from subsidized housing because of rent arrears. There is so little money available to these families that an unexpected expense leaves them no option but to use money earmarked for rent, with no way to catch up. You can't cut back on food money and start running to the food bank when you're already going to the food bank because the money you receive is so inadequate.

Our recommendation is that the maximum shelter subsidy amounts be increased to reflect average rents in communities in Ontario.

#### 1420

A word on the issue of violence against women: the cuts to social assistance programs have had a devastating effect on women fleeing violent relationships. The Ontario Association of Interval and Transition Houses reports that 100% of their members felt that cuts to social assistance had a severe impact on survivors of abuse. Women are choosing to stay—it's not a real choice—in violent relationships or to return to violent relationships when they're faced with the option of not being able to provide the necessities of life for themselves and their children. When they go into a shelter for abused women and find out how much money they're expected to live on in the community if they leave their spouse and try to set up their own residence, they feel that it's just not possible. The government has stated that it is concerned about the issue of violence against women, but its actions in reducing the benefits available to women who are trying to leave violence have increased the likelihood that they will be forced to stay.

In conclusion, the Steering Committee on Social Assistance urges the standing committee to recognize that social assistance payments in Ontario are not adequate to meet people's needs, and to recommend that the government immediately take steps to improve social assistance benefits in accordance with the recommendations we've made.

Thank you for the opportunity to speak to you this afternoon.

**The Chair:** Thank you very much. I'm going to take one quick question from each caucus. We have three minutes left, so I'll be tight on the time. The government side.

**Mrs Molinari:** Thank you very much for your presentation. I don't have a question but I would just like to make a couple of comments.

It's important to note that Ontario's welfare rates are 34.7% higher than the average in the other nine provinces, and you have indicated some of that in your presentation. I wanted to clarify that for the record.

With respect to the national child benefit program, Ontario has reinvested \$100 million in 1998-99 in the Ontario child care supplement for working families, bringing the total value of Ontario's supplement to \$200 million annually. You indicated in your presentation about the money coming from the federal government. We have reinvested it in child care and services.

Also, the 1998 poverty profile report released in December by the National Council of Welfare states that Ontario's poverty rates were among the lowest in Canada and were well below the national average throughout the period.

So we are concerned about some of the issues you've expressed, and certainly as a government we feel there's always more that we can do and that can be done. Certainly in listening to presentations, the suggestions and recommendations you have will be taken into consideration with a number of others that come forth. When the pie is only so big, it's challenging for the government to be able to make decisions—



**The Chair:** Ms Molinari, we're out of time.

**Mrs Molinari:** That's my last comment. It's difficult to make decisions and please everyone, but certainly your recommendations will be taken into consideration. Thank you.

**Ms Colquhoun:** Just with respect to the investment in child care with the money that's being deducted from the national child benefit supplement, I would argue that it would be more useful to families to have that money directly in their pockets to pay for food and housing.

**The Chair:** The official opposition.

**Mr Phillips:** Thank you. I appreciate your comments.

There's a fundamental problem, I think, and I've said this publicly many times to the government. I think what has disturbed me the most about the actions of the Harris government are things that Mr Baird has done recently. I've said this publicly. A year ago I was with our local member here. We went across the North Shore of Lake Superior and went into a city hall and there was a poster there: "Phone this 1-800 number if you suspect anybody of welfare fraud." It was sort of like a Wanted poster. He often gets up in the House with a gold credit card, implying that thousands of people on social assistance have these gold credit cards that no one else has. There are his actions with the syringes and the drugs. In my opinion, rather than being the advocate for the most vulnerable in our society, he is attacking them.

I've said it to his face, I've said it in the House, and I'll say it again here: we should be ashamed of ourselves for demonizing people on social assistance. They are the most vulnerable in our society, and 99.5% of them are there for reasons not of their own doing. I know it's politically convenient and useful to attack people on social assistance, but until we change that, we'll never tackle your issues. I don't know how to solve it. I really don't. I think perhaps the Legislature has to humanize this. Perhaps a legislative committee has to meet in the community with people on social assistance to understand how they're struggling. We have to go back to the days of the Bill Davises of this province, who recognized that we have a responsibility to those people.

**Ms Colquhoun:** I agree, Mr Phillips. I think it's a moral issue, really, in terms of how vulnerable and unfortunate people are treated in our society, and at present they're treated very badly.

**The Chair:** I have to bring it to an end, Mr Phillips. Mr Christopherson.

**Mr Christopherson:** If more people knew that the United Nations has condemned Canada because of the number of children who are in poverty relative to the kind of wealth we have and the kind of economic boom we've had in the last half-decade, it might shake them up a bit. Quite frankly, just to pick up on a bit of what Gerry was saying, it's outrageous and it's just mind-boggling to believe the government, with pride, within weeks of taking power, announced that they were going to cut the income of the poorest of the poor by 22%.

If they had said that the very wealthy in this province are going to cough up 22% every year, there would have

been a counter-revolution within 24 hours. As it was, not enough people said anything. I was at a demonstration in Hamilton; there were about 15 of us. It was heart-breaking. I have no doubt in my mind that when the history books are written, this is going to be seen as one of the darkest times in the whole evolution of Ontario as a civilized society. It's just so outrageous, and the fact that you can come in and remain so calm says a lot about you, because it still drives me crazy that in my lifetime something like this happened. I still find it hard to believe that it really happened.

Further to that is the fact that they took this windfall money where the federal government finally—and let's recognize this is the federal government that decided they had \$100 billion extra to give away to the very wealthy—at least put this in place, and these guys scooped it and said, "We're going to use this to give further tax cuts to our rich friends."

It's outrageous that it's happening. Welfare rolls are increasing, and those are the people who did manage, as you point out, to get through the system. January showed us there were 4,500 more people in Ontario on social assistance. When that happens in this province under their rules, you know we've got serious trouble, so please keep doing what you're doing.

**Ms Colquhoun:** OK. Thank you.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

#### NORTHWESTERN ONTARIO DEVELOPMENT NETWORK

**The Chair:** Our next presentation is from the Northwestern Ontario Development Network. Could you please step forward. On behalf of the committee, welcome. Please state your name for the record, and you have 30 minutes for your presentation this afternoon.

**Mr Harold Wilson:** My name is Harold Wilson. Ladies and gentlemen, thank you very much for coming to the northwest and providing this opportunity for us to give comment during the pre-budget consultation period.

I am the executive director of the Northwestern Ontario Development Network, an association of community development practitioners and partners in northwestern Ontario. Our core membership consists of the economic development offices and community futures corporations serving the region, which extends from—always the geography lesson—Manitouwadge to Kenora, from Atikokan to Pickle Lake, but also includes some 33 economic development people through the Nishnawbe-Aski development fund. To drive west to east would take nine hours, equivalent to the drive from Windsor to Montreal.

Approximately half of the region's population of 246,000 resides in Thunder Bay. With the exceptions of Kenora at 17,000, Dryden at 10,000 and Fort Frances at 9,000, the remainder of the communities have a population of fewer than 5,000 people, often separated by distances that are unparalleled in the rest of Ontario. In

1981 the region was home to approximately 236,000. A review of our current demographic trend suggests that the minuscule total growth rate for the region of 4.2% over the period of 1981 to 1996 may even now be eroding.

The northwest has been well served by this government's commitment and investment in our roads these past few budgets. There is still much to be done, and we are hopeful that this concentration of financial support for infrastructure continues. However, our concern today lies with the fundamentals of our economy. We look to your committee to consider the opportunities to make effective changes that will assist our communities to improve themselves. Identifying the directed, strategic investments that are needed and working to make them happen define the efforts of our economic development members.

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The first fundamental issue is the fact that the existing property-based municipal tax structure does not provide an adequate tax base for northern Ontario communities. This is because the north is a resource-based rather than a property-based, manufacturing-based or population-based economy. Inadequate revenue generation from a property tax base has resulted in the dependency on transfer payments and support. Northern Ontario is not self-sufficient or self-sustainable at the municipal level, and the sparse population and vast distances between municipalities are an even bigger issue in the northwest than in the northeast.

Despite the opportunities of the new economy, the resource-based sector remains the engine of regional wealth and job creation. Much of our future still rests with the development of our natural resources rent with a value-added component. As the share of revenues generated by our natural resources to companies and government has increased, the wealth from our resources, which fuels our communities, continues to be reduced within the region, with less available for the services whose costs are increasing. Current measures to support our economy are short-term and subject to cost-cutting measures. Moreover, inadequate already, our current tax base is also shrinking. Service or user fees are also inadequate tools to fund municipalities and their services. Increasing the tax base or reallocating the wealth generated in the area has yet to be addressed.

The Northwestern Ontario Development Network, in association with the Northwestern Ontario Municipal Association, NOMA, and the Federation of Northern Ontario Municipalities, FONOM, produced in 1997 a discussion paper on the rationale for a resource revenue retention mechanism for northern Ontario. While a preliminary review, it is a concept that deserves to be thoroughly discussed with the provincial government. It is one method to address the shortcomings of the existing property-based municipal tax structure in northern Ontario.

Our organization and others have long requested that consideration for the economic rents that our resources bring in and the considerable taxes paid to the province

find their way back to supporting our local municipal organizations in a consistent, comprehensive manner. For example, in 1997, direct contributions to the provincial government from forestry operations in the northwest were \$304 million.

We need the support of the Ministry of Finance to consider different mechanisms, such as that of the Iron Range Resources and Rehabilitation Board in Minnesota. It has long been an instrument to return some of the wealth generated by the Iron Range to the regional economy, for use in developing its own economic development initiatives. This is but one model that needs to be reviewed for applicability to the northwest. The Ministry of Finance is the perfect instrument to do this.

As was stated previously, we are a resource-based economy and lack the tax base to support necessary infrastructure investments. For example, telecom infrastructure is essential in moving to the new economy. In the northwest, we do not have the concentration of population to attract the private sector investment without government support. At the same time, government investment based on a per capita formula ensures that population-rich areas in southern Ontario will experience significant leading-edge infrastructure enhancements, while our region prepares business case upon business case for approval of the most basic services. It is important that the north be provided with the tools necessary to have a significant impact on providing essential services and enhancing their ability to compete for investment.

The system in place ensures some transfer of funding from the province. However, it is through specific programs and the specific identified priorities and requirements of senior levels of government. Often, these do not match the needs that are recognized at a community level. To repeat, a commitment to consider alternatives to the municipal tax structure that currently exists must be reviewed.

Of particular interest to economic development practitioners in the northwest is the role of the province. To quote the Ontario Jobs and Investment Board's A Road Map to Prosperity:

"Economic prosperity is a 'bottom-up' process that is driven by individuals' pursuit of opportunities and success;

"There is a great regional diversity within the provincial economy and no single recipe will work for all regions or communities to create jobs and economic growth....

"Economic development cannot be 'commanded' by government, although governments have important roles to play through leadership and facilitation."

The provincial government has increasingly placed the responsibility for economic development at the municipal level. At the same time, the province, which used to have a significant role in community-based economic development, has withdrawn its support. The province's previous support enabled community-based economic development to be delivered in a formal, professional manner by our individual communities. The loss began with the



phasing out of the municipal economic development assistance program.

Projects require nurturing, partnership-building, community involvement and advocacy to all three levels of government—a long-term activity. Return on investment often takes years, and while it is easy to show the benefits after a project is completed and the tax assessment has been enhanced or in some cases stabilized, this is not automatic; it never has been. The smaller centres require sufficient resources to take on the task of considering new initiatives. These projects and opportunities could become the enhanced tax base we need. To repeat, the northwest generates great wealth, but it does not find its way to the tax base.

We would hope that the Ministry of Northern Development and Mines, as the lead ministry for northern Ontario, would be properly and effectively financed. It has a key role to play at the community level, but it is unable to participate financially. This issue of some funding allocated at a local level for the Ministry of Northern Development and Mines to participate is essential to develop the types of projects that can later attract the funding of SuperBuild, the northern Ontario heritage fund or other supports. Many of the projects currently funded through the large capital programs that exist have had their beginnings as very small, local projects. Work is done locally to develop the feasibility of a project; then external dollars are sought. Projects require considerable partnership dollars at the community level.

Presently it is the municipalities and the federal government through Fednor that provide investment seed dollars; the province is not there. It is crucial that MNDM be provided with some walking-around money and get back to the role of being an advocate for seeding community-based economic development, to be able to participate, leverage the provincial interests and harvest the results. Without specific commitment from the province to support the promotion and effort required for effective community-based economic development, local projects to enhance the tax base will be more difficult to get off the ground.

Another opportunity to broaden the tax base for our communities is in provincial approval of cottage lot development. NOMA completed its Crown Land Acquisition Study in April 1998. Several municipalities have been ready for some time to proceed on the acquisition, having prepared the required development plans. This approach has long been advocated, but for years municipalities have been discouraged by the Ministry of Natural Resources. Support from the provincial government, from the minister to the district manager, for communities that are ready is required immediately. There is great potential, but it requires the desire and action of the province. The economic development practitioners welcome the chance to be included in the assessment and approval process at the local level.

Another critical need is private investment capital in the northwest. Labour-sponsored venture capital corpora-

tions such as Working Ventures are very well set up to remove money from our area, but there is no mechanism for investing that money back into the region. There are significant incentives to encourage people to invest into these vehicles, but although there have been many attempts, including by this government, to ensure that investments are made, they have not been made in northern Ontario; there are no plans that we are aware of nor have there been any investments in northwestern Ontario by Working Ventures. The other labour-sponsored funds are even less likely to consider investment here. We have the need but not the tools.

In the early 1990s, the province's small business development corporations program was wound down. This program provided one mechanism by which local people and communities could have invested in a corporation, with some tax support, and then been able to have it invest in projects within the defined geographical or sectoral area. Initiatives similar to this should definitely be looked at again. The opportunity for people to utilize their RRSPs for strategic investments in local projects would be a significant step forward for northwestern Ontario.

Last but not least is the importance of provincial investment in our institutions. It has long been the history of northern Ontario that the surpluses from the resources culled in our region were used in the southern part of this province for the construction and development of many important institutions, from the Parliament Buildings to museums, universities, hospitals etc. The development and investment in our northern institutions is critical. These become economic engines in themselves and will support considerable economic activity through their presence, adequately funded. Confederation College, Lakehead University and our hospitals throughout the region are but examples.

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A project that has been proposed and is supported across northern Ontario is the Northern Ontario Rural Medical School. An institution of this nature will serve many purposes, such as increasing the possibilities of health professionals remaining in the north.

However, it would also be a profitable, strategic investment from an economic development standpoint. Companies that are considering locating in northwestern Ontario or expanding want to know that employees will be able to get adequate health care. This issue is increasingly a factor in our ability to attract business. For example, Pickle Lake has gone for a five-month period without any doctor or nurse practitioner. How can one attract either employers or their employees? In addition, the proposed Northern Ontario Rural Medical School will itself become an economic engine that will spawn other possible business opportunities and must be considered a strategic, long-term investment.

There are great opportunities in the northwest, and always have been. We need to work with the provincial level of government to develop more effective methods for revenue retention and expansion. As The Road Map

to Prosperity stated, "Ontario needs to champion and embrace change, not resist it." Fundamental changes to the existing system are crucial. We want growth in population, employment, innovation, amenities and the tax base in the north. The province needs us to be a strong contributor, and we want this too. With your help, we can again be the choice location to live, work, invest and raise a family.

Thank you for this opportunity to present to you today.

**The Vice-Chair:** Thanks very much, Mr Wilson, for your presentation. It was very well put together and very thoughtful.

We have about three and a half minutes per caucus and we start with the Liberals.

**Mr Kwinter:** Thank you very much. I totally agree with your presentation. Earlier today we had a presentation by the mayor of Thunder Bay, who felt there should be some more user fees, there should be taxes on fuel, a municipal fuel tax. I feel that is not the solution to the problem. I think the government has a role to play.

I just want to relate to you an exchange I had with the then Minister of Economic Development and Trade, Bill Saunderson, in the House back in 1995. He said that the government has no role to play in economic development. When I got back to my office I sent a letter to Judith Wolfson, who was the deputy minister, and I said, "If the government has no role to play in economic development, what kind of a boondoggle are you running over there? Why don't you shut off the lights, send everybody home and save the taxpayers a pile of money?"

I never got a reply to that, but the thing that I feel very strongly about is that there are resources being developed in the north. I think that is where there is an opportunity to get some financial input into further development in the north. I think that's something that should be pursued because, quite frankly—and you've spelled it out in your presentation—a lot of these labour venture funds look at these proposals and they don't make initial economic sense. As a result, they have a difficult time justifying to their boards of directors: "Why would we put money in there when we're not going to get what we consider to be a reasonable return?"

The other thing I want to comment on, and I'd like to get your reaction to it is, we had various regional development corporations back when we were in government—I think they were there before we got into government—and they performed a very useful role. One of the greatest criticisms I used to get when I was the minister and went to estimates is that people would say, "Your bad-loan risk was too low. You were acting as a bank." Banks traditionally like to have about no more 1.5% of their portfolio in bad risks.

The development corporations were a little bit higher than that, but, as I say, our critics felt we should have been up about 10% because, "Otherwise, why do we need you? If you're going to serve the same function as banks and only fund projects that are absolutely fool-proof and secured, then you have no role to play. Your role is to pick up where the banks won't go and provide

the sort of investment to allow these projects in the north to have a chance to survive."

I think that's something we should continue to do. You spell that out, but do you have any comments on that?

**The Vice-Chair:** You've taken three and a half minutes, but we'll give you 30 seconds anyway.

**Mr Wilson:** OK, 30 seconds. First of all, the statement that Minister Saunderson made, I think I've seen actions from this government that show there might not have been that same thinking elsewhere. The OSTAR program, for example, and some other things have shown that the province does believe it has a role in economic development. It's just a matter of that role being in tune with the needs of the people and the populations.

Regarding the labour-sponsored venture capital, with so many of the investment firms it's the due diligence part that's the problem. I mean, when they're looking at a deal, they're figuring out, well, "Five trips to Thunder Bay. Let's see what Air Canada's charging these days." At \$1,340 a crack times five, you've got to know it's a really good project before you'll come up. So again, although the investment's there, it's the due diligence and people making these kinds of decisions who don't even consider projects, no matter their merit. That is a concern as well.

Regarding the NODC and those other forms, what we would prefer to see is more of what we call the walking-around money for northern development and mines, which we think has the role, has the leadership there, but just doesn't have the financial wherewithal to make it happen.

**Mr Christopherson:** Thank you, Mr Wilson, for your presentation. I would just point out that certainly I would agree with your argument that you've got to make the investments in the institutions if you want to have a community that works in all aspects, not just in terms of the service they provide, but the economic aspect of it.

It's probably even clearer when you get into the north because the numbers are smaller, so the picture's a little clearer: there isn't as much there. It's an important message for us to help take back to the government that when we talk about investing in institutions across the province, this isn't about special interests getting their itch scratched; it's about making sure we're putting Ontario's money where it'll do the most good. Of course, we would argue that that's even more important than a personal income tax cut where you've got a choice between the two.

Further to that, you mention Pickle Lake. That's a great example. I'm going to use that one, because nothing could get clearer in terms of the quality of life having an impact on investment decisions. You're right. You've got Pickle Lake five months with no nurse, no doctor. If you're a young family ready to lay down some roots and you've got a few kids, is this going to be on the top of your list? So I think that's an important message.

It's the same thing in terms of cuts to the environment. What upset us the most was that it's stupid economics in



the long run, Walkerton being of course the biggest example. But anything that erodes the environment and doesn't give you as close to a pristine or as safe an environment as you can make is going to affect investment, because that's where the people are going to live. Again, I thank you for that message.

I have two straightforward questions. One is, can you just give me a quick outline of what the crown land acquisition study in April 1998 actually said, very briefly, and also a little bit on the Iron Range Resources and Rehabilitation Board in Minnesota? I was there not that long ago, a beautiful state. I've never heard of anything like this. I just wondered how it works.

**Mr Wilson:** I will be quick, as you said. With regard to the NOMA study, this goes back well over 10 years. In fact, I think I was there at the unveiling in 1987: crown land as a development tool. I hope I don't hear groans, but it was the idea that we would utilize crown land and they could use it at the municipal level to be able to develop—to do things to increase that tax base.

In 1998, NOMA, the Northwestern Ontario Municipal Association, released their report, ready to go. The minister at the time and the current minister were quite behind it, but it still hasn't happened. There seems to be some kind of slippage between what they want to see and the release of that land. There are some incredible hoops that have been put forth that they have to go through, and if they could be done jointly, that would be effective, but it seems that to relinquish control over land is something that is not being supported by the Ministry of Natural Resources, and therefore an opportunity to enhance the tax base is not there for them. Again, it's been pursued a lot by NOMA and we've been supportive of them.

On the second matter, the IRRRB is in northern Minnesota. I believe it just had its 50th anniversary the year before last, and it is a mechanism by which some of the tax dollars that are generated through the Iron Range can be returned into a fund that is administered and the priorities chosen by the people of that area.

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**Mr Christopherson:** Is it a transfer from the collection on government?

**The Vice-Chair:** Thank you very much. We'll move on to Mr Gilchrist.

**Mr Gilchrist:** Thank you, Mr Wilson, for the presentation. It's going to sound like a broken record, but I too agree with most of the points in your submission here. In particular I appreciate that you've made a suggestion similar to one we heard earlier this morning about the idea of creating a mechanism where folks in the north could be able to invest in either a venture capital fund or some RRSP mechanism to ensure that their money stays in the north. I posed the question earlier today and I would seek your response as well, whether the existing municipal and provincial public sector union funds should be required, given that 10% of the population is from North Bay west, to invest 10% of their funds in the north? In the case of the teachers' fund, that would be an immediate infusion of \$6 billion in the northern economy.

**Mr Wilson:** That's interesting. I'll go around it in a circuitous way. The first thing, with the issue of labour-sponsored venture capital: yes, some mechanisms have existed before. They've tried a couple of things; some of them haven't worked. It always comes back down to the RRSP side of things. So you're right, if we can find some mechanism to do that, then some investment will be there.

It will be interesting to see, though, what the response is going to be, because some of the pension funds that are already set up do make investments. I understand that the teachers' pension fund is one of the bigger investors in WestJet, which has been an incredible boon to north-western Ontario; also Cadillac Fairview. You will find that some of their dollars, I believe, have gone to Intercity Mall. So there are some things from that.

Unfortunately, we're not 10% any more; we're down to about 8% and our concern is that, as Ontario grows—it's estimated to be, what, 14 million by 2010?—we might not be growing at all. This becomes another issue too, and a need to try to stimulate our area, hence the importance of really considering mechanisms that haven't been tried yet. I would think that they should be looking at, with their membership—and their membership should also be advocating—what kind of investments they are making in the areas that they come from, where they are resident.

**Mr Gilchrist:** Isn't that the irony? Presumably 10% of the teachers are represented in the north, not to single them out. They just happen to be a homogeneous group. We don't have to talk about, in the municipal plan, which municipality contributed which amount of money. But the principle that those who live in the north, who are seeing the same issues that you and others have described here today, are ironically sending their pension funds to support other things in Canada, internationally, and in southern Ontario—we appreciate the dollars that have stayed in Ontario, but it seems to me it would make a lot of sense if their own interests were furthered by ensuring that those dollars were kept here.

Let me ask you one very quickly, if I've got 30 seconds. We can approach the issue of economic development one of two ways: funds can be raised somewhere else and applied in an area that in and of itself might not be self-sufficient, or you could eliminate more taxes in those areas that you want to stimulate and attract business there. So rather than artificially maintaining a higher tax level somewhere else to provide a subsidy, what would happen if, let's say, northern Ontario was to see a different sales tax rate or a different income tax rate or a subsidy on your property tax? Would that have the same or a better effect than bringing southern Ontario money north?

**Mr Wilson:** To go out on a limb, the issue with the property tax is a difficult one. If you take a look at some communities that are in difficulty, their cost of a home is so low that that itself should be the attraction, and yet that isn't the thing that's attracting. They still need the jobs. In a sense, they might be more interested in that, but you need those strategic investments.

About the issue of cutting the taxes or some of the sales tax, I advocated a WCB-free zone at one point. Let's see what happens there, if we can attract investment to a specific area, just to try something, in the same way they have free-trade zones and other things like that. I think we've really got to be creative and look for some other things that will stimulate.

But it's strategic investments that need to be done to bring the infrastructure in the north to at least the same level as enjoyed—I know in rural Ontario they don't have that infrastructure benefit either, and I know that work through OSTAR and other things are helping with that. But I think we have to take a look at the strategic investment side in parallel, if we're going to look at tax cuts or anything like that, because if those investments aren't there, if people aren't prepared, you won't be able to attract the businesses.

**The Vice-Chair:** On that positive note, thank you very much for a very thoughtful presentation. On behalf of the committee, thank you for being here.

#### THUNDER BAY CHAMBER OF COMMERCE

**The Vice-Chair:** Our next delegation is the Thunder Bay Chamber of Commerce, Mary Long-Irwin, president.

**Mr Don Slobojan:** Needless to say, I'm not Mary Long-Irwin.

**The Vice-Chair:** He doesn't look like Mary Long-Irwin to me.

**Mr Phillips:** Mrs Molinari isn't here right now, but just in case I forget, I think she mentioned the number on the average—I think 34% or 37% higher. I hadn't heard that number before, and just so I don't forget it, I wonder if we might ask her to table the source of that for us. It would be helpful.

**The Vice-Chair:** Welcome. We appreciate your coming. State your name for the record. You have a half-hour, part of it for presentation and the rest of it divided among the three parties to ask you questions and for discussion.

**Mr Slobojan:** Thank you very much, Mr Chair. My name is Don Slobojan. I'm the first vice-chair of the Thunder Bay Chamber of Commerce. On behalf of the Thunder Bay Chamber of Commerce, we welcome the opportunity to present before the standing committee on finance and economic affairs. We have three issues that we would like to go over this afternoon: the northern medical school, transportation issues here in the north and a review of the retail sales tax.

We all realize that our physician shortage in Canada is at the breaking point. However, in the north it has reached the crisis point as far as we are concerned. Ontario has fewer physicians than it needs. The shortages are particularly serious in northern, rural and smaller communities. A quarter of the province's population lives in rural Ontario, yet only 10% of family physicians work in these communities. We can no longer apply

Band-Aid solutions or quick short-term relief for this crisis. It has not worked, and in the long run this crisis has only got worse. The government must work collaboratively on measures that will encourage more physicians to work in the province's rural and northern areas. We need a long-term-solution approach to this issue.

The proposed northern Ontario medical school, to be operated out of Lakehead University and Laurentian University, offers a solid solution that not only addresses the northern region physician shortage but will also assist in solving the concerns of many other communities across Ontario, as many smaller communities in southern Ontario are also finding it more and more difficult to recruit doctors to service their populations.

We know this is not a new concept. This issue has been successfully responded to in other areas such as New Mexico, Grand Forks, northern Europe and Australia, with success in both increased enrolment of medical students and in graduating family doctors and specialists who are remaining in the area and setting up practices in rural and underserved regions.

Networks for teaching already exist in the north. Both Laurentian and Lakehead have solid undergraduate science programs with strengths in the new biomolecular sciences and provincially accredited nursing and nurse practitioner programs. Both hospitals that serve these communities have the potential and the desire to work with their university partners to develop teaching hospital status.

This issue has strong support from mayors, chambers of commerce and residents from northern communities such as Sault Ste Marie, Timmins, North Bay, Thunder Bay and Sudbury.

Here in Thunder Bay we have respected physicians and specialists who are leaving because of the existing shortages and long hours, with no light at the end of the tunnel. Some of these doctors are leaving for the United States. All of us in this country lose when this happens. Clearly the problem is getting worse with each passing day. We must act now. Not doing so has brought us to this critical situation. The north needs to have its own medical school to resolve this situation.

On the second issue, our organization has over 1,000 businesses located in Thunder Bay and just over 2,000 throughout northwestern Ontario in our northwestern Ontario associated chambers of commerce affiliation. We also have a strong transportation committee working on these issues. All of us are in some way dependent on transportation for our ongoing viability.

As a result of the city of Thunder Bay community development plan, now called Thunder Bay Fast Forward, a new Thunder Bay transportation council has been created. This council consists of representatives of the owners of public and private infrastructure in our area: highway, road, rail, marine and airports. The council also includes in its membership the owners and operators of the carriers: trucking, busing, airlines and ships. The transportation council's mission statement is as follows: a



forum for the development and viability of transportation in Thunder Bay and the region.

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Regarding some of the highways around here, one area we wish to raise with you is the plans of this government for new road development in this area. The chamber is of the opinion that the decision by your ministry to concentrate the last five years of funding on upgrading the existing network was appropriate. However, we understand that commencing with this provincial budget there will be an opportunity to begin work on some of the outstanding projects that have been in the planning stages for quite some time. We are raising this issue to allow for the construction of the first 13 kilometres of the Shabaqua highway, extending the existing Harbour Expressway west to connect with the existing Highway 11-17 at the 10th Side Road. This link will relieve what we believe to be significant pressure on the Arthur Street corridor. It will create a truck route with a direct connection to the heavy industrial area of the city. This will be supported by a ban on all but local truck traffic on Arthur Street, which is also known as Highway 17. This route has been in the planning stages since the mid-1970s. The land has been acquired, the right of way cleared and, we understand, all the environmental reviews completed. Its completion will divert the heavy traffic from a major thoroughfare that travels through a residential area.

We are strongly encouraging the provincial government to commit funding for this project in the next two budget years. We believe it appropriate that a small portion of the \$1 billion allocated in the next budget for highway construction be allocated to this project.

A key area of concern for this region is the reality that both Highway 11 and Highway 17 share a single roadbed for a significant portion of the link between the junction of Highway 11-17 just east of Nipigon to Thunder Bay. Over the last number of years significant weather events and traffic accidents have forced the closure of sections of the highway for long periods of time. Where both 11 and 17 share the same roadbed, there is no Canadian road alternative to keep our east-west commerce functioning. It should be noted that when Highway 17 north of Lake Superior is closed, commercial travellers can access the northern Highway 11 with a minimum loss of time. The same is not the case between Nipigon and Thunder Bay. When the section between Thunder Bay and Nipigon is closed, or the section between Sistonens Corners and Shabaqua west of Thunder Bay is shut down, nothing moves between Manitoba and southern Ontario unless they go through the United States. In addition, some Canadian commercial traffic is prohibited from traversing US highways due to local state restrictions.

It is estimated that upwards of 70% of all truck traffic traveling through Thunder Bay is passing through, providing goods from southern Ontario to the west and vice versa. This route is clearly Ontario's only Trans-Canada trade corridor. A closure of this section of the Trans-Canada Highway is not in anyone's best interests.

We want to see our fuel tax dollars used to create a divided highway in all those sections where 11 and 17 are together. We believe that in the long term it makes good economic sense. As a country and as a province, we cannot afford to have our east-west commerce held hostage.

The members of the chamber understand that twinning this section of the highway is an expensive proposition. We also understand that a significant amount of planning needs to be done before the project can begin. We urge this government and the transportation ministry to accelerate the planning process and establish construction targets for commencement of the twinning. We also encourage the ministry to develop a 10-year plan that would see the project completed in a way that would provide stability in the highway construction industry in the area for a significant period of time. Our preference would be for the twinning to commence at either end of the corridor in order to deal with the most crucial sections first.

The chamber is of the view that this major undertaking should not be Ontario's responsibility alone. The initial construction of the Trans-Canada Highway was only possible through a major financial contribution by the government of Canada by designating the project as a matter of national importance. The Thunder Bay transportation council has written to the Honourable David Collenette and to the Minister of Finance, the Honourable Paul Martin, to request that the government of Canada contribute to the twinning of this section of the Trans-Canada Highway, and we support this initiative. We believe this contribution would be consistent with previous efforts by the federal government to assist the prairie provinces in their twinning effort, the construction and ongoing upgrading of the Yellowhead Route, which parallels the Trans-Canada Highway. We further understand that the federal government will accept applications for partial funding for this project. The province has every right to expect the federal government to come on board for the funding for the Trans-Canada Highway. Last year, Paul Martin had set aside \$600 million for highways. We as residents from northwestern Ontario also have every right to expect safe roads.

The province of Ontario is investing significant funds, both capital and operating, in enhancing the tourist opportunities of this region. Private sector developments in the forestry and mining sectors will continue to add traffic volumes on the area highways. A further investment in the transportation infrastructure will ensure that there is a maximum benefit to both the region and the entire province of Ontario over the life of the project and beyond.

Here in northern Ontario we do not have the transportation alternatives readily available in other parts of Ontario; therefore we must rely more heavily on personal transportation vehicles for the economic and personal well-being of the area. We need roads that are not only safe but accessible at all times. This was considered an important improvement to the northwestern Ontario

highway system 10 years ago, and there is no question that the need is even greater today with the increase in traffic that has taken place over that time period. The time for the province to act is now. If the province commits its own funding to this project in the next year's budget, it will be in a strong position to bargain with the federal government to provide support for the Trans-Canada Highway in Ontario, which we have all been led to believe they will.

The last issue we would like to bring to your attention is the retail tax issue. It was mentioned a little earlier. We suggest that the government consider a review of the provincial sales tax. Over 10 years ago it was proposed that the rate be dropped by 1% to 6%; unfortunately, the government decided to go the other way and raise it from 7% to 8%.

*Interjection.*

**Mr Slobojan:** Pardon me?

**Mr Phillips:** No, I'm just kidding.

**Mr Slobojan:** OK. We respectfully request that the Ministry of Finance consider this as the next tax to consider for reduction and review. Additional income tax cuts, as we know, will not assist those at the lowest level of our economy. By dropping the sales tax, you help those who use the majority of their income for consumption. Those at the higher end, as long as they live in Ontario, will receive a benefit.

Thank you for this opportunity to present our views and considerations in these pre-budget consultations. The council and the chamber of commerce certainly wish you well as you work toward the development of a budget that will cover these concerns.

**The Chair:** Thank you very much. We have five minutes per caucus and I will start with Mr Christopherson.

**Mr Slobojan:** Before you start, if you don't mind, Mr Wilson is backing me up. He was just here. He's the past chair of the board of the chamber of commerce. I'm fairly new on the block, so if you don't mind, I may have to refer to him.

**The Chair:** No problem.

**Mr Christopherson:** Excellent presentation. I want to comment that for the longest time I couldn't understand why so many of the chambers, which are made up primarily of small business—at least that's been my experience, and certainly it's the case in Hamilton—would support the emphasis being on personal income tax when small business needs the average citizen to have discretionary income so they'll spend money in their local establishments, thereby keeping the money circulating in the community. I think you're the first one I've seen who's come out and said it that clearly, and I want to compliment you for it.

I realize it's in self-interest—you're here to represent your community, the business community—but nonetheless it has always really bugged me that there wasn't this recognition that helping those who are at the bottom of the economic food chain also helps small business. And that means decent wages and it means a fair taxation system, and if you're going to do something along the

lines of relieving tax pressures, make sure you're putting the bulk of the emphasis in the area where it will benefit our broader economy as well as the local economy, which is those who spend practically every dime they get. So I want to compliment you for putting that in there and for saying that, because you'll have some opponents within your corporate world who won't like that as much. They'd rather have it on the personal income tax, because if they're already pulling down a quarter million a year, that's where they'll personally see the benefit. This is a far better way to grow the small business community in municipalities, in my humble opinion, and I want to compliment you for that.

Having said that, I want to pose something to you, and I'm not trying to trick you. I legitimately said what I said and meant it and wanted to emphasize it. Now I want to place before you from that same perspective that came up with that—

**Mr Galt:** Watch him.

1510

**Mr Christopherson:** Never mind, Doc. That's just because he's so easily fooled, he worries about everything.

You've noted that you needed money and transportation, that to do some of the things you'd like to do is going to cost some big bucks.

**Mr Slobojan:** Correct.

**Mr Christopherson:** To address adequately the health care needs in the north is going to take some big bucks and, as was mentioned by Mr Wilson earlier, investment in the institutions is usually big-dollar stuff.

If it came down to it, where you had a choice between seeing the—

*Interjection.*

**Mr Christopherson:** I know, but these are the kinds of decisions we're given as legislators. But if you had to make that choice—again, this is not trickery or trying to put you in a political box. I'm curious: from what you've already said here, which one do you think would give you the better benefit? I'm obviously prepared to accept either answer, but if you had to choose either/or, which would be in the best interests of sustaining small business and growing it?

**Mr Slobojan:** Thank you, first of all, for the compliments and setting the things out. With what is available, and the federal dollars that are available at this point, I think the highway issue could be addressed. At the same time, if dollars are also available from the provincial government for starting the medical school, I think we can probably end up having both. I know that's not answering your question—

**Mr Christopherson:** But this is good. I'm just trying to get a sense of where you thought—really, I thought you were providing an honest comment there and I meant that. I was very serious when I complimented you on that. I happen to agree with you. I'm just curious how someone who says that then views the whole issue of those kinds of investments versus the benefits, economically, of a sales tax cut.



**Mr Wilson:** With regard to that, as you said, if you're providing that kind of a choice, again the issue of the sales tax cut has merit and really should be reviewed. It should be looked at because of this issue of being able to drop disposable dollars. What you're talking about with the other side, though, that would be strategic investment. I think your real question is choosing between strategic investments and income tax cuts—that seems to be more what you're choosing—rather than between sales tax cuts—

**Mr Christopherson:** Actually, that one I'm pretty clear on because I know where I'd go. It was on the other one where I was legitimately torn and wanted your opinion.

**Mr Wilson:** Again, one of the things with the sales tax cuts is, as has been noted—when they did income tax cuts they thought there would be less taxes coming in—there were more taxes coming in as people then utilized those discretionary dollars. I would suspect that with sales tax cuts, and from some people I talk to in retail, you may not lose anything from the retail sales tax perspective. The government would still be getting their money in. From a consumption point of view, that might be the stimulus they need.

**Mr O'Toole:** I'm probably going to share my time with the member from Northumberland if it works out that way.

I appreciate, Don and Harold, your presentation. I just want to make a couple of statements with respect to infrastructure, transportation specifically. We have heard a different kind of description in southern Ontario. But when you refer to it as the Trans-Canada Highway, that's where you really step off and say, "Just how much money does the federal government actually put into the highway system in Ontario?" It's surprising. We've committed, as you probably know, in the budget numbers about \$1 billion in that. Arguably there's never enough of anything, but do you have any idea how much the federal government contributes, both in its own revenue sense from fuel tax and GST—a tax on a tax—to the infrastructure in Ontario, which is about 50% of the Canadian economy, of which you're an important part with the resource sector up here? Do you have any idea at all how much they actually contribute to the provincial highway system? Harold, any idea?

**Mr Wilson:** No, I really don't. I think it's zero.

**Mr O'Toole:** I think it's zero too.

**Mr Pretchuk:** I can answer that, actually. The Ontario trucking industry currently pays the same amount that the federal government puts into the entire Canadian infrastructure.

**Mr O'Toole:** I'm glad there has been a letter, as I see in your thing, to David Collenette and Paul Martin, and certainly you would be encouraged to pressure that. I certainly agree with you, the way you've described it, for safety and a whole bunch of other reasons, and the economy. It may answer the question that David Christopherson mentioned with respect to strengthening the economy. We heard that in Jim's presentation, the im-

portance of having the right infrastructure to support the resource-based industries, because that's basically the economy up here really. So we accomplish a number of outcomes.

I know the health care issue is a huge one. The theory there of course is to educate them closer to home. Hopefully they'll be indigenous people, people related to the area, and they would hopefully stay here. I support that. Some of the larger medical centres may not. They have their own personal reasons to keep everybody in Toronto.

We're fighting the same issue here. There was a report issued today by the physicians. There's going to be a shortage of 1,300 family physicians in very short order. So just a couple of comments.

**The Chair:** You've got two minutes.

**Mr Galt:** I'm kind of curious on this promise that you have from the federal government that it would come through and assist the province to build that. I interpreted you to say a promise, or a good reason to believe they would, particularly when I see recently where they made a commitment in their red book back in 1993. When that commitment, word for word, was introduced by the opposition, they collectively voted against their own commitment, their own platform back in 1993. I wonder what kind of commitment you have if the province comes in to help, how you're assured that the feds are going to join in, especially when they'd vote against their own resolution.

**Mr Slobojan:** I guess we're never really assured of anything, but it's our hope that they would certainly step up and help out with a situation like that.

**Mr Galt:** But I got from you the feeling that you had assurance they would come through.

**Mr Slobojan:** I don't think we have—

**Mr Galt:** You don't have assurance. It's just that they have suggested they might have \$600 million set aside for transportation—

**Mr Slobojan:** We were led to believe that's what the case was.

**Mr Galt:** —when they collect \$2 billion taxes from Ontario drivers.

**Mr Slobojan:** We were led to believe that's the amount of money that was set aside for the different projects in the province.

**Mr Galt:** In the province or across Canada?

**Mr Slobojan:** Across Canada, I think. Pardon me, yes.

**Mr Galt:** When they collect \$2 billion in Ontario a year?

**Mr Slobojan:** Right.

**Mr Galt:** It's good that you have that kind of assurance. It may give our Minister of Finance a little bit of comfort to look at doing something like that, because obviously on the Trans-Canada Highway, the federal government should be involved.

**Mr Slobojan:** There's no question in our mind about that.

**The Chair:** Mr Phillips.

**Mr Phillips:** Firstly, just on the tax policy issue, this is going to be a huge issue of debate over the next little while.

**Mr Slobojan:** Excellent.

**Mr Phillips:** Yes, I think it is. I might add, I wish this committee could have a debate on it. We asked the minister to come and have a debate on tax policy and he wouldn't. I really felt that's something we should be debating here. As Mr Beaubien will know, he wouldn't come to debate it.

But in any event, yesterday or the day before we had one of the senior bank economists in talking to us. We were talking about how in Ontario the average employee has health benefits that are worth the equivalent of \$2,500, health benefits that they don't get in the US. The government tells us in its documents—I think it says that US manufacturers pay on average more than \$3,100 per employee for the kind of health care coverage provided by Canada's publicly supported system, whereas Ontario employers pay about \$540 per employee in employer health tax. So there's about a \$2,500 cost advantage to companies in Ontario versus companies in neighbouring US states—quite substantial. The issue then is, how do we fund that? That comes from taxpayers. We have funded our health system in a different way than neighbouring US states.

He was also saying to us that, in his opinion, corporate taxes are going to continue to drop. In fact, the government's announced that taxes in Ontario will be 25% lower than in neighbouring US states. So it won't come, *vis-à-vis* neighbouring US states, from corporate taxes.

Then on the income tax side, they're saying we have to match the bordering US states.

I gather your recommendation here on tax policy is that we'd be better off, in the Thunder Bay chamber's view, reducing sales tax than in reducing income tax. I guess I have two questions. Does the chamber discount significantly the arguments of someone like the bank economist who said that we need income tax rates equal to bordering US states or people will move there? Secondly, I see a huge challenge in maintaining our health care system and, I might add, our education system in an economic slowdown and having taxes lower than the neighbouring US states. So I gather the chamber's advice to us is sales tax over income tax how does the chamber view advice to us in terms of how we fund our unique health care system?

1520

**Mr Slobojan:** I think we would really like to see a study on it, to take a look at those proposals. I don't have the answer for you right off the top of my head.

**Mr Phillips:** That's fair.

**Mr Slobojan:** We're bringing it to the government's attention to review it. That's part of the key.

**Mr Wilson:** If I can just relate the difference with Minnesota, one of the issues that's taking place right now in the northwest is that you have still a very strong and heated economy in Minnesota, and they're actually drawing some of our best people from the northwest. We

have an unemployment rate that's much higher. In the United States in a lot of those areas it's 2% or lower, and 2% means even people who don't want to work are working. So you have this situation down there. They are attracting some of our people. So this issue of income tax is a consideration. Health care, though, that kind of investment, has some very great value, and to the companies as well as to why they would locate. Again, it's an issue. You're trying to take a look at two jurisdictions. There are lots of things in that mix.

The only other comment I would make, and this is a personal one, is that if someone from one of the national banks or wherever was making a statement about what would be best for Ontario's economy, again, from my presentation previously, that's not necessarily what might be best for the regions.

**The Chair:** With that, we've run out of time, gentlemen. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr Slobojan:** Thank you very much. We wish you well.

#### NORTHWESTERN ONTARIO ASSOCIATED CHAMBERS OF COMMERCE

**The Chair:** Our next presentation is from the Northwestern Ontario Associated Chambers of Commerce. I think we have two presenters. Could you please come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Phillips:** Mr Chair, before we begin, Ms Molinari is back now.

You mentioned in a previous presentation that Ontario social assistance rates were 34% higher, I think, or 37% higher, than the average. I hadn't seen that before, and I just wonder if you might provide the committee with that. I'd find that useful.

**The Chair:** Perhaps you could submit it to the clerk or the researcher.

Go ahead.

**Ms Tannis Drysdale:** I'm Tannis Drysdale, and I'm president-elect of the Northwestern Ontario Associated Chambers of Commerce.

**Mr Tony Beyak:** I'm Tony Beyak. I reside in Dryden, Ontario. I'm what's termed, on NOACC, a senior adviser.

**Ms Drysdale:** The Northwestern Ontario Associated Chambers of Commerce is the largest business group in northern Ontario. We represent the interests of over 2,000 businesses throughout the area. We are the voice of business for a geographic territory stretching from Marathon to the Manitoba border. We are proud that our membership also includes 14 of the largest corporations active in our region.

Annually, since 1931, when our association was formed, we have reviewed government policy and lobbied for progressive solutions that best fit with the needs of our communities. On behalf of our membership,



I thank you very much for travelling to Thunder Bay today and allowing us to have the opportunity to have some input into the 2001 budget.

Over the past few weeks, Premier Harris began to lay out this government's renewed vision for continued growth in Ontario, smart growth. In the Premier's recent address to the Toronto Real Estate Board, this vision was structured primarily around the needs of our larger urban neighbours in the south of Ontario. It should be clear, though, that the concepts of smart growth—focusing on development that will create a strong, efficient economy; building strong communities; and preserving and protecting the environment—will be equally important in defining the framework for prosperity here in the north.

As you've probably heard a lot of today, we northerners like to spend a lot of time explaining how the many challenges of our businesses, communities and lifestyles differ dramatically from those of you who live on the other side of the map. At our core, however, we share the same vision of prosperity for our communities, region and province.

**Mr Beyak:** Focusing on development that will create a strong, efficient economy: It is the role of government to facilitate the environment in which our northern businesses can flourish. A strong, efficient economy and job growth in the north translates into infrastructure support, a well-trained workforce and continued attention to and support for a competitive business environment.

We believe that investments in quality highways will provide for economic growth by enabling cost reductions, improving the quality of goods and services, and allowing for expanded production and access to wider markets.

The improvements to the maintenance of our highway system throughout the northwest have not gone unnoticed by our membership. Given that in 1991 only 40% of this province's highways were rated in good condition, the goal of bringing that figure to 85% by the end of 2001 is to be applauded. Soon, maintaining the current highway system will not be enough to facilitate economic growth in our region. As we increase the use of highway systems for the purpose of trade and tourism, our systems must grow with us.

We recommend that the government of Ontario commit long-term funding to upgrade highways and work in co-operation with the federal government to develop multi-lane routes at key tourism and trade corridors. On the map attached to the back page of this presentation, you will see that Highways 11 and 17 meet west of Thunder Bay at Shabaqua and continue through to Nipigon as the same road. They are then from Shabaqua to Thunder Bay and from Nipigon to Thunder Bay the only east-west route through Canada. Closures on these stretches of highway cannot be avoided by traffic.

Given the importance of maintaining the free movement of materials and travellers across the province of Ontario, we would request that the twinning of this highway section be assigned priority in future planning.

Making investments in infrastructure throughout northern Ontario that meet local demands and priorities through programs such as the SuperBuild Corp and the northern Ontario heritage fund will continue to be important to the development of our communities.

Heritage fund projects ranging from increasing our agricultural capacities to waterfront development have provided northern communities with the assistance they need to increase tourism, commerce and improve the quality of life. We eagerly await the announcement of the reopening of this fund to new applications.

The Northwestern Ontario Associated Chambers of Commerce has taken a leading role in promoting the development of tools and skills required by our membership to maintain their presence in the new economy. We anticipate government programs such as Connect Ontario will further serve to assist in overcoming the geographical barriers of our region.

As the lead agent representing most provincial ministries throughout our territory, the Ministry of Northern Development and Mines plays a critical role in our ability to access and communicate with the government. Therefore, we have been encouraged by the government's continued support for this ministry.

While job growth in Ontario has soared over the past few years, northwestern Ontario has only been able to grasp a small percentage of the dividends of the boom. Despite our limited growth relative to Ontario as a whole and continued higher than average rates of unemployment, investment in training or retraining has been and will continue to be a priority.

Commitments made by this government to bring business needs and the education system together are being well responded to by programs such as Passport to Prosperity and the Ontario youth apprenticeship program. The flexibility and responsiveness of Ontario's education system to the changing needs of our business communities will become more and more important as we in the north develop diversity in our economy.

**1530**

**Ms Drysdale:** We believe to this end that a provincial-federal labour market training agreement should continue to be pursued by the province of Ontario.

Maintenance of a strong, efficient economy must provide for continued attention to and support for a competitive business environment. This government has not only listened to the needs of the business community but has begun to make the changes necessary so that the business community feels confident about the future of this province.

A strong regulatory environment is not only necessary to provide equity for private citizens but it also assists our business community by creating universal rules of responsibility. In many cases in the past, regulations and restrictions on commercial activity have appeared without thoughtful consultation and remained there past their usefulness, hampering commercial growth in the province. Entrenching the Red Tape Commission and providing a mechanism for the review of the implications of government change is a progressive step.

Providing a competitive environment also requires that governments continue to recognize the importance of reducing the tax burden faced by businesses. The business community continues to report to government that the major obstacle retarding their ability to expand, create employment and contribute to economic growth are the various taxes present in Ontario.

We recognize the efforts this government's contribution in reducing taxes already, and encourage it to continue. Legislation such as Bill 140 and the Fairness for Property Taxpayers Act that preceded it work toward our mutual goal of allowing businesses to invest in expansion and jobs and not increased government.

Building on the successful fiscal management of this government in translating tax savings into jobs, the government may wish to consider a universal review of the various provincial sales taxes.

Providing for the basic medical needs of citizens is critical in developing strong communities. Many of the communities that we represent the interests of through our member chambers of commerce today are unable to provide this to their residents. We have the hospitals, we have the beds, the labs and in many cases the technology; what we lack is the physicians. Recruitment and retention of medical professionals has become an area of concern and thus activity for both NOACC and our member chambers. As we work to create diversity and growth in our local economies, we must include access to medical care as one of our primary infrastructure needs.

We believe the proposal to create a Northern Ontario Rural Medical School put forward by Laurentian and Lakehead universities will provide the north with the opportunity to attract and retain the medical professionals we require.

In the analysis of physician supply, mix and distribution conducted in 1999, the McKendry report details that Ontario must make a commitment to attracting students who are likely to choose rural practice and to providing the rural medical education they need to prepare them for such practice. And finally, Ontario should consider creating a new medical school in rural medicine, with a specific mission to attract students who are interested in working in the province's small rural and remote communities.

There has been extensive research conducted supporting these findings as a realistic long-term strategy to alleviate the chronic physician distribution problems in the north. This research further demonstrates that medical students with a rural background are more likely to choose a rural practice, and rural-based medical education produces more graduates who choose rural practice. This is best illustrated by the fact that less than 10% of all the medical schools in the United States produce over 25% of rural physicians. These 12 schools, located in rural areas, provide a rural-oriented curriculum and experience.

We know that this government, a government committed to not making convenient decisions for today at the cost of the right decision for tomorrow, will recog-

nize this opportunity and make the necessary budgetary allocations for a Northern Ontario Rural Medical School.

In the short term, we have two further recommendations to the government related to increasing the quality of health care in the north. The first relates to the northern Ontario health travel grant system. The system currently is failing to meet the needs of our citizens. Traditionally, northern Ontario residents have had to travel great distances to see specialists. We now have communities in northwestern Ontario where such acute physician shortages exist that travel is required for primary care. Under the current system, only a small portion of the real costs of accessing this basic health care is covered. Thus, for many families in the north the concept of universal health care does not exist and they are forced to make health care decisions based on personal finances and not medical need.

As I mentioned earlier, physician shortages are so serious that even in the city of Thunder Bay 30% of residents do not have a family doctor. In this climate, it remains increasingly difficult to attract people to live in our towns and cities. We are, therefore, requesting that the government review the current designations under the underserved area program.

**Mr Beyak:** Protecting and preserving the environment: Perhaps there may be no greater challenge in northwestern Ontario than in providing balanced and responsible usage of the vast natural resources we have in the region. The effective use of the natural resource base and the level of support for our industries that rely on these resources will dictate the future of our region.

We have been pleased to see the government's continued support of mining and adoption of our recommendation to reinstate flow-through shares. Throughout the north, exploration has increased, and we expect to see considerable job growth in this industry in the coming years.

While technological advances have allowed the pulp and paper industry to slowly downsize its workforce, the use of alternative wood has encouraged new industries to form and increased development in value-added products.

The traditional industries of northwestern Ontario will continue to be our major sources of employment and revenue generation. The government of Ontario should be mindful that it is Ontario's resource-based industries that will continue to, by and large, fuel the economy of our province.

We again thank this committee for travelling to the northwest and giving us the opportunity to share our vision of the needs of the north and its role in the future prosperity of this province.

I'll just add a couple of comments about the mining industry, for instance. It is absolutely crucial to continue to improve how this government treats mining companies. I had the opportunity to spend some time with a mining executive one afternoon in November. He said that Ontario is fast becoming the place to do your mining business. They have mines in Chile, in Indonesia and in



the United States. They've just opened another mine here and they're looking at two more because of the way they're being treated in the province of Ontario; this, in contrast to the exodus eight to 10 years ago that was going on.

When you hear that mines are opening, you have visions of the land being ripped up and torn apart. These stats are a little dated, but we should know that the total disturbed surface in the province of Ontario, including quarries—that's gravel pits—is 130 square miles. What do we have? I think it's about three million square miles of surface in this province.

Everybody touts the automobile industry as a revenue generator, and obviously, by the dollar volume, it is, but for every dollar the auto industry generates, there is \$177 spinoff, whereas with the mining industry, for every dollar they pull out of the ground, there is \$262 generated. It is certainly a thought to keep in mind, when we have environmentalists or whoever saying that perhaps this mine shouldn't go forth.

One last comment: in the previous 10 years, the federal government has pulled out \$2 billion a year in fuel taxes, \$20 billion total. That's 20 thousand million dollars out of the province of Ontario, and they have contributed back \$87 million—out of \$20 billion—into the highways of Ontario. That's out of Minister Clement's mouth, a year and a half ago or two years ago, when he was minister.

**The Chair:** Thank you. I'll start with the government side. We have four minutes per caucus.

1540

**Mr O'Toole:** Very quickly; I might share, if someone else is concerned. I appreciate your presentation. Thank you very much. Between the three presentations, it was a pretty broad overview of the economic priorities within this region. It looks like transportation is a significant piece, besides the health issues, the shortage of physicians.

I want to focus on one piece here; it's on page 3. It says, "We believe that developing a common provincial-federal strategy through a labour market training agreement should ... be pursued." In fact, it is a very important issue, as you probably know. I think Quebec and Ontario are the only two signatories that haven't agreed, and it really has to do with the formula. My numbers probably aren't that accurate—I'm sure Mr Phillips will correct me if I'm overstating or understating—but I think we contribute about 40%, potentially more, to the EI fund, given that there's 11-point-something million people in Ontario sustaining a strong economy, probably 50% of the total economy.

Our argument is that we're only getting back a fraction of the—while believing that this is a nation and we should all contribute. I guess my point to you is to ask, is there any way we can pressure the federal government to make sure that Ontario—it's very important for Canada that it's strong and it remains strong. With the challenges, whether it's in medical school or whatever, the training dollar adjustment thing we're looking at is absolutely

needed to support that intellectual infrastructure we need for jobs and future growth. Don't you think there should be a better formula, which recognizes a per capita formula? There are about 30 million in Canada, and about a third of them are in Ontario. We should get a third of the money, basically. Would you agree with that?

You're also affected, I'm sure, by seasonal conditions up here. The EI payout funds have been chopped.

**Mr Beyak:** That certainly has affected us. Where do you find a fair formula for funding? This country, federally, we seem to have an imbalance. I don't know how you correct it, other than through political means.

**Ms Drysdale:** The federal government has continued to provide for training for EI recipients in the traditional reach-back plans that we've seen in the past, but there are still some individuals who don't have access. I know that in your previous hearings, you've been talking about apprenticeships—

**Mr O'Toole:** Yes.

**Ms Drysdale:** —which have grown throughout our region. These are going to start to become critical issues. Even if we talk about an economic slowdown, it's a slowdown of growth; that growth is going to continue and we have to have the labour force. Whether or not the federal government gives us the exact formula we want, we as citizens need this training and we as businesses require the labour force, so something should be done.

**Mr O'Toole:** Are there other questions? I just wouldn't go on, other than just to make sure we use all the time.

*Interjection.*

**Mr O'Toole:** I guess that is the case: it's the share formula of the federal repatriation.

You mentioned a couple of programs which I want to commend you for: the OYAP, the Ontario youth apprenticeship program—excellent, very important. It should be supported, it should be talked about. It should be partnered with the colleges, and I'm sure it probably is here. That's the kind of infrastructure that will sustain growth. What I'd consider to be the real growth in the economy isn't really the GDP measurement; it's the value-added part, where you're actually adding productivity through knowledge.

**Mr Beyak:** It's appreciated.

**Mr Kwinter:** Thank you very much for your presentation. I'm really pleased that you've raised a particular issue, and it's an issue that I thought would be raised more often during our stay here in Thunder Bay. It's an issue that has really been given a lot of prominence, certainly in the Legislature by two of your local members, Lyn McLeod and Mike Gravelle, and that is the northern Ontario health travel grant. It's an issue where we've had delegations from this part of north-western Ontario come to the Legislature to talk to us about the inequity of having patients in Ontario who require cancer care and have to go to a mid-north location having all of their expenses paid for by the government, whereas patients from the north coming the other way don't have that.

Notwithstanding the arguments that have been made and notwithstanding the presentations by people who have actually been disadvantaged by this, the Minister of Health consistently stands in her place and says that isn't true, it just isn't happening, that there is no discrimination, and the people in the north are treated exactly the same way as the people in the south. Could you just elaborate on that for me? Do you have any first-hand—

**Mr Gilchrist:** That's not what she said.

**Mr Kwinter:** That's exactly what she has said. She has said that on many occasions.

*Interjection.*

**The Chair:** We can have only one conversation at a time. I think the question has been put.

**Ms Drysdale:** I understand there are two different programs that we're talking about here. At the core of it, if there are people in southern Ontario making medical decisions based on financials, that's not correct anywhere in Ontario. What we're asking for is a review of the system, to look at the real costs for northerners to access the medical care we require, not only specialist care but, until we get this doctor thing fixed up, sometimes primary care. That has to happen in Ontario. As we invest in medical care, that has to be one of the priorities.

**Mr Kwinter:** Another thing I'd like to talk about is support for the Northern Ontario Rural Medical School, which I think is a great idea as long as it works. It's going to address sort of a subspecialty in medicine, which is to provide doctors who specialize in rural medicine. How are you going to make sure that is what the students who go there are going to do? Are you going to screen them so that only students who have a commitment to rural medicine get in? What happens if a student in southern Ontario decides, "I can't get into any other medical school in Ontario. I'm going to go there. I'm going to tell them I'm going to be a rural medical practitioner, and once I get my medical degree, goodbye, I'm going somewhere else"? Has anything been done to try to ensure that the facility that's going to be established is going to serve the purpose it's intended for?

**Mr Beyak:** The feeling in the northwest is, anything's better than what we've got. In my community, for instance—I moved there six or seven months ago from Fort Frances—I do not have a family doctor. If my wife broke her finger, she'd have to go to the emergency any time of the day or night. There are no doctors available. I think this is a problem throughout not only the province but the country.

Our hope is that coming to these northern communities, seeing the lifestyle, living with the people—I'm one who spent 25 years next door to Mr Phillips in Agincourt. I migrated down there from the north and then back out here again. Our hope is that once they experience the lifestyle and become part of the community, they will stay. If I'm not mistaken, this has been proven in Australia, the United States and several other countries that have tried this program. Certainly it's worth looking at. I also believe that, if possible, whether provincially and/or federally, there should be some incentive to

practise in the north. We have to talk to the Canadian and Ontario medical associations about opening the doors—it's my understanding that's the roadblock here—to let more doctors in if they don't want to practise in these underserved areas. You can't have your cake and eat it too. We're getting to the point that it's—"desperate" is the word I'd like to use. It's not a crisis yet, but it's desperate in northwestern Ontario and in many other communities throughout the north.

**The Chair:** That pretty well uses all the time. Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. It certainly is abundantly clear that you are big fans of this government. You say things as straight out as—and I'm quoting—"We know that this government, a government committed to not making convenient decisions for today at the cost of the right decision for tomorrow will recognize this opportunity" and on and on, and then on the next page you talk about "protecting and preserving the environment." But the track record of this government in terms of what they've done to the Ministry of the Environment—they've gutted the funding and gutted the staffing. The Ministry of Natural Resources, which I understand is really like the government for many people up north, has been devastated.

1550

Further to that, we've had people come in this morning and talk about the fact that your education system is in serious trouble, just like it is across the province. They're attributing much of that to underfunding. We had two mayors come in this morning and say that because of cuts by this government, they're going to have to look at either cutting services or putting in user fees. From where I sit, and how I look at the province—and I don't pretend to be an expert on the north—I've got to tell you that that's the last thing this government deserves credit for. You can give them credit for making a short-term decision—quite the opposite—and making sure they took care of their friends. That's fine. But to come in and make the argument that they've made the tough decisions and that they're going to—

*Interjection.*

**Mr Christopherson:** Do you mind? I listened to you.

*Interjection.*

**The Chair:** Order, please.

**Mr Christopherson:** But to say they've made the long-term decision—the next group is a group that represents people who are in poverty. They've been pushed further into poverty by the actions of this government. We've got the United Nations condemning Canada—and in large part that's Ontario, because that's where the large population is—for the way we're allowing more people to go into poverty during a time of expansion. Absolutely true.

Further to that, if you take a look, the only two provinces in Canada where there's an increase in poverty rates is us and Newfoundland. If you say something like that, you leave yourself open to at least a counter-thought. It's fine to come in and praise them, but I



thought that was a bit over the top. The one thing they haven't done, in my opinion, is take steps that put us on a stronger course for the vast majority of people and certainly not for our communities, and that's where our sustainability is.

Now you can take your shot at me.

**Mr Beyak:** My only comment is that over the last five or six years we have seen increased economic activity. You can argue till the cows come home about whether lowering taxes is better or worse, but I know of no jurisdiction that has lowered taxes and not increased revenues. It's a science; it works. Any country or province that has done it has prospered. Again, it's hard for me to relate. In Dryden, Ontario, we have approximately 8,000 people and service an area of 38,000 people. We have one homeless person, and he doesn't want to get help. He just wants to do his thing, so we as a community kind of look after him.

I grew up and have invested in this province. I now have 47 employees. One of the major reasons I went through the expansion I did was that this government shows me where they're going. You may agree or not, but I personally agree with them.

**Mr Christopherson:** That's obvious.

**Mr Beyak:** I chose to invest a fair amount of money to make it better for myself but certainly the people around me as well. That's how it works in this North American economy. That's how it works. If you tax—look at BC and the other places; they're just bailing. Read Maclean's magazine, "Alberta Bound." It's there that people are going. They won't put up with it when a government starts taking more than 50%. I think we reached the point in this province. When combined taxes of 66% of my total income are going to various levels of government, people like myself say, "Enough."

**The Chair:** With that, I have to bring it to an end, because we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr Beyak:** Thank you. You can have close to half, but that's it.

#### THUNDER BAY COALITION AGAINST POVERTY

**The Chair:** Our next presentation is from the Thunder Bay Coalition Against Poverty. On behalf of the committee, welcome. You have 30 minutes for your presentation. Could you state your name for the record, please?

**Ms Chris Mather:** My name is Chris Mather, and I'm the coordinator for the Thunder Bay Coalition Against Poverty and also for the Lakehead Coalition Food Bank. I have been a social worker in Thunder Bay for 18 years. I've worked in the areas of health care, child welfare, psychiatric care, children's mental health. I set up the first child sexual abuse treatment unit in the north. I set up a wife assault unit in the north. I set up an elder-abuse unit in the north. I've given parenting courses to single parents. I've conducted marital and family counselling.

For the last six years, I've worked in the area of alleviation of poverty. I've taught in three programs at our local community college. I'm on the board of directors of the Ontario Association of Food Banks and was invited to address the United Nations in Geneva on the issue of how well Ontario was meeting its commitment to look after the welfare of people in this province. Those are my credentials.

The coalition, which is known locally as T-CAP, has been in existence for about six years. We're an incorporated body headed by a volunteer board of directors elected by our membership—you know the way that works with community non-profits. At the last count we had about 80 members. The majority of our members and also of our board of directors are people who live on low incomes. That includes people on social assistance, people with disabilities, people who are aboriginals, students, people who are employed part-time and also the elderly. I'm just trying to give you some background as to who we are.

We have three primary goals. The first is to undertake non-partisan political activity to bring the concerns of low-income people to the attention of all levels of government. So the jargon for what I'm engaged in now is "non-partisan political activity," in case you didn't know. Our second goal is to provide public education about the reality of poverty. That's kind of going to the college and the university and teaching students there what it's like to live in poverty. Our third goal is to engage in co-operative projects with low-income people designed to ameliorate their circumstances.

The main example of co-operative projects is the operation of a food bank. Our food bank has been running for six years. We provide food to between 1,000 and 1,500 people per month. We also operate the Thunder Bay branch of the National Food Sharing System. Through this system we've provided over 59,000 kilograms of free food over the last six months to 13 other food banks, breakfast programs and soup kitchens in Thunder Bay and the surrounding areas. Just to put perhaps a less-than-rosy tint on the community of Dryden, I'll let people know that they've just opened their first food bank and we're soon going to be supplying them with food. I think there's more than one homeless person there.

Because of the nature of our membership and of the extensive contact with people we have who use emergency food suppliers, and because of my background and the background of the other social workers who work with us, we feel well able to comment on the living situations of low-income people in our community. I can tell you that those living situations are abysmal.

It's commonplace to hear talk about how Canada consists of two solitudes: Quebec and the rest of the country. It's commonplace, but perhaps it's true. Unfortunately, it is definitely true that the economic policies of this government have transformed Ontario into a province of two solitudes. I want you to take this very seriously; I mean this from my heart. I'm an immigrant to Canada. When I came to Canada in 1975, Ontario was

not a province of two solitudes. There was not a big gap between the poorest and the rest of the province, and now there is. I mean this sincerely. Please take this seriously.

There are those who prosper and those who face poverty to a depth and extent that I, a social worker in this community for 18 years, have never seen before. Please take this seriously. You are people of power, people of influence. I'm an expert in this field. Perhaps that's being big-headed, but I am. Please take this seriously; it's very, very bad.

I'd like the members of this committee to reflect on the statistic I gave you a moment ago. At our food bank we provide food to between 1,000 and 1,500 people per month. Think about that. Now think that 40% of those people are kids. Now think that there are 29 other emergency food programs in this town. Six years ago, when you guys assumed power, there were four food programs, and now there are 29. You don't open an emergency food program for fun. It's very hard work. It's soul-destroying work. You go home at night crying because of the situations you hear of. People have opened those other food programs because people in this community are going hungry.

I've spoken to the federal government. No federal government department is willing to take responsibility for hunger in this province. They are signatories to the United Nations Declaration of Human Rights, which guarantees, under section 25, that people in this country will not go hungry. I've spoken to eight other provincial standing committees. Nobody in this provincial government is willing to take responsibility for making sure that people in this province do not go hungry. Your government is also a signatory to the United Nations declaration.

1600

Certainly our city council so far does not seem willing to take that responsibility either. Please listen this time. This is my eighth presentation. Please listen. People are desperately hungry in this community. I feel guilty if I go to McDonald's. That's what my life is like. That's what our social workers' lives are like. We feel guilty if we take our kids to McDonald's because we know there are kids in our community who are hungry. I hope you feel guilty the next time you take your kids to McDonald's.

Lest you think that I'm being alarmist here because I'm speaking very strongly, I have included a clipping from a local newspaper. It's talking about how a local soup kitchen run by a Roman Catholic church has been in existence for 20 years. The article states that the priest in charge says that over the last four years he has noticed a steady increase in people using the soup kitchen. He continues to say the reason is simple: cutbacks. With the provincial government cutting back on social services and welfare spending, more people are relying on organizations like the Dew Drop. It's called the Dew Drop and it's kind of a hokey name, but they give great service. They're one of the people that we send free food to.

I talked about this being a province of two solitudes and, believe me, I chose that word with care and I believe

it's absolutely apposite. We say "solitude" because we do not believe that this government is listening to the concerns of low-income people. The low-income people we serve do not believe that the government is listening to their concerns. We try to be a great organization, so we do these consumer satisfaction surveys at our food bank, you know, to see how well we're doing. Sometimes we ask them how well they think the government's doing, and the last time we did that 85% of them said the federal government didn't care that they were hungry; 63% of the people said they didn't think city council cared that they were hungry. Now get this, guys: 92% of the people who answered our survey said the provincial government did not care that they were hungry. Some 92% of the people who come to our food bank don't think that their provincial government cares that they're hungry.

Certainly in six years of making similar presentations to other provincial standing committees and seeing the briefs presented by other groups, I have noticed no attempt to address these concerns, unless you call a more stringent welfare regime, self-congratulatory government publications mailed to private households, downloading onto municipalities and what can only be a blatant campaign of scapegoating of people on social assistance addressing the cries for help from the poor. That's what it is: it's cries for help; it's real.

I know it's not easy to think of our province becoming divided along economic lines. I know it's not easy to speak harshly to government members. I know it's probably not easy to listen politely to me criticizing your party's policies. But I can tell you it's immeasurably harder to watch a senior citizen walk 12 blocks in -30° weather to come to our food bank and get a tiny amount of food and watch the icicles that have formed on their eyebrows start to melt as they come into the warmth of the church basement. It's sickeningly harder to listen to a single-parent mother tell me how she's meeting her food budget by prostituting herself with her former abusive partner. This very civilized ex-partner of hers worked out a sliding scale for her; you know, so much if she gave him oral sex, so much if it was straight sex, so much if she spent the night with him.

It's devastatingly harder to turn these people away empty-handed, because we're running out of food in this community. More and more food banks are turning people away because we just don't have enough food. It's a harder task than I'm capable of fulfilling, despite all my experience, to provide any real measure of comfort to the staff and volunteers, who are crying because they don't have enough food to give to people.

There, that was the emotional part. We can all breathe again.

I'd like the members of this standing committee to listen to the following five measures, which, if they were part of the next budget, would begin to address the concerns of low-income people:

(1) Food bank use has doubled over the last 10 years. There are now 270 food banks in Ontario. People are using them because they don't have enough money. One



of the first actions the government took was to cut social assistance payments by 22%, and at that time the amount left over was inadequate. It was already said today but it bears repetition: in real dollars, welfare benefits are close to the lowest they've been in 35 years. You've achieved a budget surplus, and it's now time to address the concerns of low-income people by spending some of the budget surplus on an increase in welfare payments.

(2) Five years ago the government stopped building social housing. Thunder Bay lost 13 social housing projects at that time. When heating costs are factored in, we have the second highest shelter costs in the province. We've just found out we're having a 6% property tax increase, and that will be passed on to tenants by landlords.

I remember very clearly being told at a government hearing that it was time for the government to get out of the business of building homes and let the private sector take care of things. There was no doubt in my mind then that the private sector was not going to build low-rental housing, and it turned out I was right. It's now harder than ever for poor people in Thunder Bay to find safe and affordable housing. A recent report said that there are now 3,300 homeless people in our community. It is time now to address the concerns of low-income people by spending some of the budget surplus on building social housing.

(3) In July of last year, I and representatives of five other food banks from across Ontario met with the Minister of Community and Social Services, and we told him that the shelter allowance portion of social assistance was inadequate. I won't give you the statistics; Sarah Colquhoun already gave them to you.

We told him that people were regularly going without food in order to pay their rent and/or their heating bills. He expressed great concern. We sat there in his fancy office and we all had coffee and we were all very polite, but I genuinely believed that he was concerned. Now I would say it's time to translate your minister's concern into spending some of the budget surplus on increasing the shelter portion of social assistance payments.

(4) This government has given large tax cuts to the wealthy and smaller tax cuts to average-income families and it's clawed back the federal child tax benefit from people living on social assistance, which means that the poorest families in Ontario have not received a federal benefit intended to fight poverty. Sometimes I do public presentations and when I tell ordinary citizens, ordinary taxpayers, that the federal tax benefit is clawed back from people on social assistance, they're horrified. I tell them what Ms Molinari related about the programs that's being spent on, and the people I present to think that the people should be getting the money. We have a big sign in our office. It says, "I don't need therapy, I need money."

It's time for the provincial government to stop clawing back this money and thereby address the concerns of low-income people.

(5) There has not been an increase in the minimum wage since 1995. It's time now to address the concerns of low-income people by increasing the minimum wage.

I thought I'd tell you what you'd get if you took these five measures that we're suggesting.

First of all, you'd get a lot more money going into local economies. People on low income spend their money in their local communities. They don't take trips to Florida in the winter.

You'd get a good saving in long-term costs, because it's well established that people who grow up in poverty cost the health and education systems a great deal. So you'd get a good, long-term saving there. Mr Christopher was saying that this is a government that hasn't looked ahead. You could look ahead and make some savings in the long term for health and education.

You could say, "Yes, we listened. We took some action to alleviate poverty. We listened to the concerns of low-income people. We stopped our province being split into a place of two solitudes."

I'm an immigrant, but I love Canada. You can tell I'm from England, right? It's three thousand times a better country than England. Let's keep it that way. Let's not let it split along class lines the way England is. If you've ever lived in England, you'll know it's very much a place of us and them. Let's not let our country become us and them.

In summation, we believe that the gap between the rich and the poor in this province is growing ever wider. We believe that it's time to start decreasing that gap by increasing welfare payments, increasing the minimum wage, investing—and it is an investment—in social housing, and by stopping the clawback of the federal child benefit.

Thank you for your attention to this presentation.

1610

**The Chair:** Thank you very much. We have four minutes per caucus, and I'll start with the official opposition.

**Mr Phillips:** Thank you very much. I appreciate all you've done personally and your presentation. I wish I could be very optimistic. In the month of December we tried to get the Premier to act on the social assistance rates and were unsuccessful. It doesn't mean we'll stop trying.

I want to focus a little bit on the housing side of it. In Ontario I think we need between 15,000 and 20,000 rental units built per year. We've seen maybe 1,500 built per year in the last five years. There's a huge backlog building up. There are some condos being built that are being rented out, but that's short term for investors' purposes, I think.

The reason that I'm focusing on housing is just because it gives us a chance to understand the situation here in Thunder Bay. You point out that you feel there may be as many as 3,300 homeless people in Thunder Bay.

I think the government at the time said, "The private sector will build rental units and we'll give some shelter

allowances and it will all be kind of fixed.” We had the homebuilders in, the people who build these things, and they essentially told us that they’re not going to build them because of the fear of rent control. They get a bigger return on their investment elsewhere.

My question on the housing side is, of the 3,300 homeless people in the community, where are they? Are they living with relatives? How are they actually spending tonight?

**Ms Mather:** There are a percentage of people who during the summer and the spring and fall actually live outside. Sometimes you go down to the overpasses over the railway line and you see these pathetic little communes where they’ve even tacked up pictures out of magazines to make it seem like a home. Come winter in Thunder Bay that’s not possible. We’ve had some people freeze to death in Toronto. We’ve had people freeze to death up here, but it’s much rarer for people to freeze to death up here because it just isn’t possible to live outside up here in the winter. So they’re at the shelters, which are overflowing. People are living with relatives. People are for part of the time living in scuzzy motels. They’re living in battered women’s shelters. Sometimes the Salvation Army will pay for a couple of nights in a hotel for a woman with kids.

**Mr Phillips:** Certainly in my community, of the issues that I get, this is a growing issue of desperate people with literally nowhere to go. What is the situation in terms of the building of rental accommodation in Thunder Bay?

**Ms Mather:** From my awareness, it’s at a standstill. The housing that’s being built are really nice, fully detached homes in very nice subdivisions. We have a vacancy rate. We do have rental properties here in town, but they’re well above the rent that people on social assistance can pay. We need more low-income housing. I guess we could ask the government to subsidize units in for-profit buildings. That used to happen.

**Mr Phillips:** Have you raised that issue with the ministry at all?

**Ms Mather:** I raised that issue with the Minister of Community and Social Services, yes.

**The Chair:** With that, we’ve run out of time, Mr Phillips.

**Ms Mather:** Thank you for your question.

**Mr Christopherson:** Thank you for your presentation. I wish the previous presenters could have stayed just so they could hear the other side of the discussion. I thought it was interesting, because the government members are next and I have had on occasion, both formally and informally, different members of the government caucus—I won’t mention any names; that’s not the point—who will argue that there aren’t that many poor people. I think an earlier presenter talked about one in Dryden, and then you came in and said, “I’m not sure what that means. They’ve just opened up the first food bank and we’re going to be helping them.” I would just say to the government members, if there’s anybody who wants to argue that it’s a growing problem, that they be the first ones to line up and take on a Roman Catholic

priest who says he’s noticing a steady increase, and then he’s saying, from where he sits, it’s directly attributable to cutbacks. Again I say to the government members, when you hear the United Nations condemn us for allowing poverty, especially child poverty, to continue to grow, at some point you’ve got to ask yourself, “How much longer can I live with the fact that our government policies are contributing to this, especially since we just went through the boom?”

You know what’s going to happen now. Now every time anybody comes in, if the downturn continues, it’s going to be, “We can’t do that now; there’s not enough money. We can’t. Things are bad. We’ve got to cut back. We’ve got to do this and that.” That was our fear all along: if we couldn’t get them to spend the money in the good times when it was there, we’re never going to convince them to spend it in the bad times.

Two questions, really. I wanted to ask you about the experience here in the north to see if it’s the same as it is in the south in terms of the relationship of the lack of adequate shelter allowance for those who are on assistance, the reduced availability of affordable housing and the increase in food banks. Down south there’s an equation there. You can see it; it works. I just wonder if it’s the same here.

My other question would be, in terms of the people visiting the food banks, is it only those who are on social assistance? Are there the working poor, are there seniors, or is it primarily those who are on assistance?

**Ms Mather:** Your first question was, are people using food banks because of the cuts?

**Mr Christopherson:** Yes. Is there a relationship?

**Ms Mather:** Yes, there is. When we ask people that, they say they are coming to the food bank so they can pay their rent. Everybody takes care of their shelter costs first. It doesn’t matter how rich or how poor you are: you take care of your shelter costs first. When you’re on social assistance, the only disposable income you’ve got is your food budget. So that’s exactly right. On average, we’re thinking that about \$150 from the basic allowance is added to the shelter costs. That’s \$150 a month for a single mom. For a single person, the amount that’s transferred from budget to budget is considerably higher. I’m sorry. I’m desperately trying to remember that stat, but I’m nervous and I can’t.

The second question I think was—

**Mr Christopherson:** Who is visiting you? Well, not visiting—using.

**Ms Mather:** Using the food bank, yes. The highest percentage of people who visit are people who are aboriginal. It used to be only people on social assistance, but now we find that we’re also seeing a great many seniors and people who are living on the Ontario disability support plan. We’re lucky in that the church that lets us use their basement free has one of those disability lifts so that people in wheelchairs can get up and down.

What’s most distressing is that we see a lot of kids coming to the food banks with their parents. What that means is that that kid isn’t going to school that day



because the parents didn't have lunch to send with the kid. What I really hate, which we see more and more of, is people come in and they open their package of food immediately and they start to eat it there and then. You know that people are hungry right there and then because they're opening their package and eating it.

I'm sorry, Mr Christopherson. I don't say "the working poor"; I say "poor people who have a job," because all people work. If you work in the home, you work. I don't like the term "working poor."

**Mrs Molinari:** Thank you very much for your presentation, and congratulations on all your credentials that you stated at the beginning of your presentation. It certainly sounds like, with everything you've done and all the work, you have a lot to say for the work that you do and the people you serve and represent.

Just some brief comments on some of the points you've made. On the national child benefit, as I indicated in a former presentation, the provincial government has reinvested into the Ontario child care supplement for working families. Out of the \$100 million in 1998-99, the Ontario child care supplement for working families is bringing it up to the total value of \$200 million annually. That means, to single-parent families with young children, up to \$1,310, and for dual-parent working families the annual benefit is \$1,100 per child under age seven. So it is being reinvested. I know you've indicated, as did the previous presenter, you would like that to be given differently.

1620

**Ms Mather:** Can I respond to that? It is given to working families. By definition, people who are on social assistance are not employed or are underemployed. So the money that citizens and taxpayers think is going to help the very poorest children—everybody is concerned about child poverty, and I'm sure you are. The money that's supposed to go to the very poorest children whose parents don't have a job, whose parents are living on the rock bottom of the social safety network, aren't getting it because they don't have jobs. Do you understand my point better now?

**Mrs Molinari:** Yes, most certainly. The article you've given us is interesting. A lot of work is done by the Catholic Church, and certainly it's part of their mandate to reach out to families and to the needy. The soup kitchen, by way of the headline, has been in operation for 20 years. It's 20 years old, so it's not something recent. It's interesting that some are regulars who have been going, I guess, for the last 20 years.

Certainly there is a concern whenever there is an increase in the need for something like food banks or soup kitchens. As a government we have made a number of initiatives in the area to serve, and certainly there is a lot more to be done. It's a systemic issue, a problem not only in Ontario but I'm sure in a lot of other countries. It's a challenge for any government to address some of the issues.

I do believe, though, and I would ask your opinion, that it's not just a provincial government problem to be

addressed. It's something that needs to be addressed by all levels of government. I appreciate your making presentations to other levels of government, trying to get the message across to them as well that we need to work in co-operation in order to address some of the systemic problems that exist in society. Certainly poverty and homelessness are some of the issues we need to address and work together on.

**Ms Mather:** It's great that you appreciate my presenting to other levels of government, because they don't seem to appreciate it at all.

What I would say is, yes, you're right. Because of the religious philosophy of the Roman Catholic Church, they have always reached out to the hungry, through things like St Vincent de Paul. But I would say that your government also has a responsibility actually and is not doing enough.

I would also say that, yes, some of the responsibility for the increasing levels of hunger and poverty in our community most definitely falls on the federal Liberals, because they got rid of CAP, the Canada assistance program, which allowed your government to do away with some of the standards for social services that were there.

I kind of see what your government has done and what the federal Liberal government has done have kind of worked in tandem to create this situation. So I don't think we can really say the province is let off the hook by saying, "The big old feds did it first."

**The Chair:** With that, we are out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

**Ms Mather:** I just want to say I'm glad you guys are back in Thunder Bay. It seems like over the last three years we've had no provincial hearings up here. We thought you'd forgotten us.

ANNE SCHEFFEE

**The Chair:** Our last presenter this afternoon is Anne Scheffee. Could you please come forward and state your name for the record. On behalf of the committee, welcome. You have 15 minutes for your presentation. Please make yourself at home.

**Mr Phillips:** On another matter, I asked a question earlier. Mrs Molinari—

**The Chair:** I have it. I'll read it into the record after.

**Mr Phillips:** That's fine, thank you.

**Ms Anne Scheffee:** I want to thank you for having me here. It means a lot to me.

My name is Anne Scheffee, and I'm here today to leave an impression of how I feel improved financing to the Thunder Bay Regional Hospital maternity ward could impact the mothers of our city and their families. I will do this by reading a letter I wrote to Nancy Persichino, the director of maternal services here in Thunder Bay. Following this, I will prove that I have taken an active role in initiating immediate improvements for our mothers of the city. Those mothers come from all walks

of life, working and non-working. Of all the ones I've talked to, many don't want the things I've asked for today, but the majority do, so everyone is going to be different. If it's available, they've got options, and that's how I will start this. It will hopefully be clear now how any increase in cash flow to the hospital will greatly provide the difference in the overall health of our families.

I'll go to the letter now, which everyone should have a copy of.

"Dear Nancy:

"As per our telephone conversation, I am writing with details of my personal experiences throughout my two-and-a-half-day stay on the maternity ward. I was offered a visit from the Thunder Bay health unit"—after the baby was born—"and I used my time with them to voice my opinions on some of the issues.... They requested that I write these concerns/suggestions to you. They valued what I was saying and suggested I could help improve the existing system by taking the time to write. I will compare my second experience in childbirth to that of the first"—three years ago—"at the birthing centre. Please feel free to use only what you want from these lists to make the maternity ward experience as comforting as the birthing centre one was."

If I'm talking too fast, please let me know. I'm a little nervous.

**Mr Phillips:** You're doing great.

**Ms Scheffee:** "I am a large advocate of breast-feeding and I feel that any modifications made in that area of concern would increase the chances that more mothers will make the commitment to breast-feed and will have the confidence to endure. In addition to that, most mothers will focus on the true blessing of childbirth instead of focusing on negative memories and on their own insecurities."

I am currently a member of Our Kids Count, the federal government initiative. I can see that from birth to the older child, it's really important that we do what we can, as the government and as people, to make it better for those children. I've seen people who have no money, and just from talking to this other lady, some of that welfare, some of them could use their money a little bit more wisely, but other ones are really in desperate need, so it's very interesting how this all goes together. Anyway, back to my point.

(1) In the birthing centre, I had a one-on-one nurse at all times and a 24-hour stay only, so I was more comfortable in my own home, faster.

(2) I had a home visit prior to labour by a nurse. I had a chance then to air concerns and I was reminded to bring lots of underwear to the hospital. That's going to be important later in my letter.

(3) The birthing centre allowed me to come in and learn how to use the gas mask prior to labor to reduce anxieties.

(4) A nurse checked labour progress at the house, instilling my confidence and getting me in on time. There

was a little problem with blood pressure and it was caught right away.

(5) The quality of care was astronomical.

(6) I had friendly, caring nurses who took special time with me. This is in February 1998, by the way, that I was in a birthing centre.

(7) Nurses really listened to me during labour. They gave options and suggestions as we went along.

(8) There was a Jacuzzi right in my room.

(9) There was a home environment, which was less stress for me.

(10) I was given explanation of what next to expect during my labour stages.

(11) The nurses displayed optimism and happiness for me throughout labour.

(12) I was never left to feel overwhelmed. I was provided a rundown of each progression, given in an environment that was very warm and kind.

(13) I was given warm blankets by the nurse upon entering hospital.

(14) I was given the opportunity to walk the halls during the labour.

(15) I was given support to ensure my comfort during breast-feeding, ie, pillows, extra feeding options; all the information I needed about expressing the first six weeks.

(16) I was helped out of bed and to the washroom when necessary, the first night of birth.

(17) I was offered a snack right away.

(18) I was helped through mental anguish of hearing another labouring woman.

(19) I was given explanations of what to expect while back at home.

(20) I was shown how to bath the baby and what different cries meant.

It seems pretty down to earth, but the thing is, if you've never had a baby or you've forgotten from the first childbirth, it's almost like starting again and you need those extra nurses to help you through that.

(21) I was given home care for one week after my daughter was born. The baby and I were checked regularly during that time; great mental relief at postpartum period.

Back in the earlier days they used to keep you in the hospital for a week, so any problems would have been picked up. Now, obviously, we can't afford to keep moms in hospital for a week, so you go home and you take your chances with infection.

(22) Nurses are great as midwives but in the birthing centre the doctor still delivered baby, which to some women is the greatest of peace of mind, including myself.

(23) I was helped several times during breast-feeding to ensure confidence.

I wasn't just checked once to see if baby was latched on. I was checked almost every hour in a 24-hour period, and I kept track of that.

(24) I was checked at home for engorgement and encouragement to breast-feed was continued.



(25) I was helped with my concerns about my child's jaundice. I could see it going away, with the nurse's help.

(26) I became very close to nurses very quickly.

(27) I instantly was overjoyed by baby and stopped focusing on my labour.

(28) I was given a hospital book and pamphlets to take home, and I reviewed with the nurse different sections of the book and different breast-feeding ideas and concerns.

This is the maternity ward experience that I experienced three months ago. I wrote this while I was in postpartum but the letter, I feel, is still very important to point out the differences. Now I'm not in postpartum, so I hope it's taken seriously.

1630

The nurse listened to me about induction concerns. Number one, induction is a whole different experience from the birthing centre right there, but just the coldness of the environment compared to the birthing centre was unacceptable. Induction is bad enough without everybody rushing around and not with you because they don't have the money to provide a nurse to be there the whole time. So the nurse did listen to my concerns but told me I shouldn't concentrate on machines, only labour. I needed to know I was going to be informed as my labour progressed. The nurse was very, "OK, are you ready? Can I put this in now?" It was very like this: *knocks twice on table*.

Preparation for induction only came because I phoned Nancy. No counselling was given to me on what to expect. I phoned her because I knew her from the birthing centre. She happens to now be the director, so I was very lucky to feel free to phone her.

The nurse I had was a good listener and very professional. That's the point. Some people don't need that. I needed a more friendly, comforting approach throughout my labour experience. Again, that's my preference. Maybe someone wouldn't have minded her going in and out and rushing me, but in my case this was a very hard thing to deal with, not having a nurse the whole time, a good nurse who could sit there and hold my hand.

The nurse came in only when the bell went off. There was a bell and it made me feel like a number; because I didn't know what that sound was I was extremely nervous. You're already being induced at two minutes apart; you don't need a bell going off, and this had been discussed with Nancy. But part of the point of this is that they don't have the staff to be there, so they're using a bell; they're using a computer for the safety of the child and the mother. They're not looking at the mental health of the mother at all.

Ice chips were offered during labour, no warm blankets. I don't know if they would have been appropriate in an induction, but it's something I remembered from the first time that I didn't get the second time. The ice was offered by my aunt, who was my support person. I didn't hear from the nurse. I had to ask her for that. Labour was very quick, so there were no relaxing techniques. There was never a shower offered. No one even thought of that. The nurse finally did allow my coaches

to read the monitors, because I was getting so nervous about them. That gave me back some control. I asked for gas at some time into labour. I was an hour and a half total and I think at one hour I asked for the gas, and at that point I was given it. But I think at two minutes apart, when that machine went from the five minutes that they initiate down to two instantly, I should have been offered the gas right there. But the nurse again was gone. She had to do whatever she was doing. I have talked to Nancy about that and I was told that I did have a one-on-one nurse. My aunt and my husband couldn't believe it when they heard that, because we never saw her except for when that bell went off.

I was surprised there was no chair right in the room, with holes in it for the contractions, no birthing ball, no squatting bars for easier pushing, although I never had a problem with that part, obviously, for an hour and a half; it was that quick. It's something I didn't see in the room. My aunt is a nurse from many years ago and she didn't see anything like this either.

Unlike the birthing centre, there are no home visits after a maternity ward labour; there's no after-care. You go home and you're alone. That's it. You're up to yourself. It's up to you to do the things you need to do. You can go with the midwife if you want, and we'll talk about that in a minute.

There are no walk-through appointments offered to meet the nurses before your induction and, again, no relationship is formed.

The doctor told me I had clearance to request an IV for the prevention of strep B going to the baby since I felt nervous about having strep B, as my daughter had it. At the time that the induction was beginning, I argued with the nurse; I asked her to please put it in. She didn't go get the doctor. She was in a hurry to put it in. She stood there and said, "You're not a high risk. You're not early; you're late. It's not necessary." She and I argued back and forth and I never did get my way. I never got the needle in my arm—so of course, mental anguish for a mother just about to be induced.

No real encouragement from the nurse or doctor during labour; I never saw my doctor, and that could be because he thought I would be worried about seeing him. But the nurse—never any real encouragement. The only thing, at one point I pushed against her just before the baby came out and that's all I can remember about her ever being near, other than checking, and that was about it. Again, no relationship. I don't even know my nurses' names. That's how terrible—I remember every single one from the birthing centre and I was only in there for 24 hours.

I was left on my own to get out of bed the first night. I did plan a private room, thinking I was going to have the kind of care I had at the birthing centre as far as nurses coming in and talking or something, but I was completely alone except when they checked my temperature and to take the baby away to get checked.

There were no chairs with holes in them in my room either for the painful stitches. I was not told about any-

body coming in at 6 o'clock in the morning for breakfast. They were there very early. I can't remember what time, but there should have been time when a nurse could have talked to me, "This is what's going to happen while you're in hospital. You've never had this experience. The birthing centre is different." No one ever talked to me about anything. It was very cold.

My panties had soaked through at 8 o'clock the night my son was born because nobody told me there were adhesives on the pads, and when I did find out I'd already lost two pairs of underwear. The third one, even with the adhesives, wasn't enough because I was in such pain with my back, from the induction, that I was getting up and down just to walk, trying to avoid the pain. The result was that I ended up bedridden for 16 hours.

There's a letter that I'm not going to read, but I will explain what I've done about that situation because I thought that was completely unacceptable. I will explain what initiative I took, as I said, at the beginning.

I felt cheated from induced labour but no one had the time to talk about the disappointment I was feeling. No counsellor was offered, and my comments were taken lightly. I was told, "You'll be fine. Aren't you happy to have a nice, healthy baby?" I felt almost guilty for mentioning it in the first place. No one had time to talk; they were in and out and that was it.

I was told by a nurse that she was surprised that I didn't know about some baby care. She didn't take the time to tell me. She basically said that and then walked away. It was in regard to bathing a baby, as my son was getting circumcised, and I wanted to know about that. They ended up taking heat and helping me with that. The comment that I got, because they were so busy they had no time to listen to me, was just devastating. I was only reminded on how to bathe a baby because I asked permission to look over at another mother in the nursery.

I was not given any sitz bath information. In the birthing centre they have a toilet, it's called a bidet, I guess, that sits on the ground. In this particular situation it was a portable one, and I'd never seen one before. I didn't think to ask about it until I was about to leave the hospital and phoned the nurse, and she said, "Oh, that's a bidet. You'd know that from the other place." No, I'd never seen anything like it, so I didn't get any sitz baths the whole time I was there because no one noticed that I hadn't had one. That was pretty frustrating.

I was having trouble with the baby eating more than my daughter did, and when I showed some discouragement the nurse at the front desk said, "Well, this is where we offer supplementation." That was it. She never said anything about, "Can we help? Is there something we can do to help you through this so that you can keep breastfeeding?" There was absolutely no help there, and I was surprised that they suggested that. I walked away and I kept persevering and I am still breastfeeding and it's been 17 weeks. I definitely believe in it, as I said. If there was a little bit more money for the care, I think the nurses would be listening more to their patients.

I was not given anything except the Caring for Mother and Baby book when I left the hospital. A breastfeeding

pamphlet for support had not been given to me, and I became engorged two days later. I was misdiagnosed with mastitis. I had no nurse coming back to the house so I got very sick before I realized I was sick. One week later I went to emergency and got diagnosed with mastitis. There was a hard lump and I could hardly get the milk out of it. I was very sick. I had a temperature and everything. I was given drugs for mastitis but I was told to go see my specialist. The next day I went and he took me off them, but by then my son had a rash. So I was misdiagnosed there. There was just milk fever, a backup of milk because I expressed too early and I expressed too much and I expressed incorrectly. There were three reasons why it happened. Had a nurse been there to help me with that, like they were in the birthing centre, I would have been fine.

I didn't have mastitis with my first and I was just as big and I had just as much milk. The book from the hospital didn't show the difference between the two conditions. I did use the book that I got, and the book mentioned mastitis treatments on page 57—I didn't bring a book and I apologize for that—but point 65(a) said that with mastitis you should let the baby drink for shorter, more frequent feedings, while point 65(f) said that the baby should feed from the infected breast as long as he or she wants. So there was a contradiction there.

Between the doctors having different opinions, the nurses sending me away when I approached them, not only during the beginning of the breastfeeding but also when I had the lump—I went up there first and they sent me away again to go to emergency—and the third, the book having contradictory points, I was ready to give up breastfeeding.

Thank you for your time hearing me comparing these important points from the experiences of my labor and delivery. I hope you can take some of this and help better merge the birthing centre experience with that of the maternity ward. I think people will walk away from the hospital feeling confident and happy in their new role as parents.

The second letter I'm not going to read, but I'll tell you what it was. I guess I was a little bit too thorough here in this letter and I don't want to go there. Anyway, I basically wanted to say that because I had done wrong on my protection pad, I lost two pairs, and on the third time around I was really bleeding a lot and I couldn't walk. With an induction of two hours it's like getting hit by a truck. I've been hit by a truck, and the pain was comparable.

**1640**

The induction itself was just terrible, but I breathed through the whole thing and I did what I had to do to get through that, but even the after-effect is like you've been hit by a truck. You're sitting by yourself trying to get to the baby, you're trying to get to the washroom, and you're in terrible agony. All that felt better was to walk. Because this happened with the Depends, with no extra underwear at that point, I had to be bedridden for 16 hours. I did call the nurse and I asked for a pair of under-



wear, knowing that mine had been soiled. I had called my husband, who was just putting our two-year-old to bed so he couldn't come down. In the end I asked for a Depends product, some kind of a panty that I could put the white pads into—because the hospital does supply the pads, but these things are actual underwear—and they said there was none available for moms, "Sorry, you're lucky to get what you have because in the States they pay for everything."

So I said, "Could I have a Depends product from the senior citizens' ward?" She said, "I'll do what I can." This was at 8 o'clock at night and by noon the next day I had a Depends diaper. I was bedridden for 16 hours because they didn't have the staff to run upstairs two floors for me. That's a pretty horrifying experience for someone who has just been induced, as far as I'm concerned. I have talked about it.

Of course I took the initiative, because that's who I am, and I wrote Kimberly-Clark, because I just happened to get a Depends thing in the mail for the senior diapers. I wrote to them and I asked for 1,700, which is approximately the number of births that Dr Holloway said we have in Thunder Bay a year. I don't know if that's regular doctors, but specialist deliveries for sure are included in there. Kimberly-Clark has provided—and I gave them to Nancy at my meeting last Friday—300 Depends products for moms so that they can put the white pads in if they run out of their underwear; they have a backup.

In summary, I feel I've worked hard to make a difference for new mothers. I feel the little red wagon program the provincial government is initiating should begin by taking care of our mothers. I ask that you take a moment before the budget of 2001 is established to consider what a significant difference your role can make. A mother who is healthy and satisfied brings joy, love and warmth to her newborn and radiates that same warmth to the family waiting at home.

Sometime following his election of 1935, Tommy Douglas, the father of medicare, said, "It's not too late to make a better world." It is my belief, therefore, that if we use the same energy as Tommy did to create change, have the same integrity as he did and are as committed to the cause, we together can make our families healthier and happier.

Going along with the children, just from having a newborn and my husband working till midnight, there are days when you feel like shaking that newborn. If you've got that support from the hospital and the nurses, you won't get to that stage where you feel like that.

Going forward, I ask that you focus on mothers, the reason we all are here today.

**The Chair:** On behalf of the committee, thank you very much for a very interesting and somewhat unique presentation of those that we've had over the past four days. Good luck.

**Ms Scheffee:** Thank you very much. Do we have any questions or anything?

**The Chair:** Does anyone have any questions? We had 15 minutes allocated.

**Ms Scheffee:** Has it been 15? I apologize.

**The Chair:** No, it's OK.

**Mr O'Toole:** Just for the record, actually, as a father with five children, I appreciate the desperation you must sometimes feel when these things don't happen the way you planned.

**Ms Scheffee:** I never shook him, by the way. I walked away and read my book from the hospital. So thank God for it.

**Mr O'Toole:** That's good. It's certainly a lot of pressure in families in that sense.

I was just wondering, though. I thought the province had the initiative of actually increasing the stay in hospitals for newborns and they've increased the home visits. Now maybe it's just the firstborn, I'm not sure. But there has been a significant amount of emphasis on the whole process of birth and mothering, and not just Ontario's Promise. You mentioned the red wagon thing, which is part of it. So I'm sort of disappointed. It sounds like a delivery problem in a way, not delivery of the baby but a site problem.

**Ms Scheffee:** I think it's the big picture of the lower staff. I have talked to Nancy and she said that some issues were financial, but many of them are using the money that you've already given them and changing it around. She's going to take my letter, by the way, and move it into many of their nurses' meetings. They're going to be doing some extra training. But that takes extra time, which again is pressure on the budget.

I guess I don't have a lot more to say except that if there's any room for improvement, you'll see how important it is to mothers and the kids. Being in Our Kids Count through the federal government, I see those moms. A lot of them are single moms out there and when they have two, I can see that's where child abuse comes from, right there, because you don't have any support. You have no husband. You have no one coming home at midnight. You're done. So if you don't have that nurse coming home for a week after—maybe they could have offered a counsellor. That alone, if they'd taken 20 more minutes, if they'd had the time to offer one more nurse that night, because I think there were 17 babies—but don't quote me—if they'd had the extra time just to talk to me, maybe there would have been more help there.

Just one last thing: in the birthing centre I had a nurse for nine hours at a time going through all this. In the induction, the nurse wasn't there a whole hour and a half. I asked an hour and a half with her. I got eight hours at the birthing centre and I only got an hour and a half this time, because they had a whole bunch of other mothers who were getting induced at the same time. She needs to be there; she needs to do her thing with the doctors. She may be just my nurse but she's got other work she has to do because the other nurses are being called to the other rooms. So if we could just get funding for one more nurse per day, or whatever, that could be all it would take, or a little bit of money for education, something, just something extra.

**The Chair:** Again, on behalf of the committee, thank you very much.

Mr Phillips, you had requested from Ms Molinari some information after a presentation that was made this afternoon. Here's the information that was given. I'll read it into the record. It says, "Ontario's welfare rate for a single employable person is 34.7% higher than the

average of the other nine provinces, according to the National Council of Welfare, an arm's-length agency of the federal government." That's for the record.

With this, I think that concludes our presentations today. This committee will adjourn until 9 o'clock on February 19 in Ottawa.

*The committee adjourned at 1647.*





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First Session, 37<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Monday 19 February 2001

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Lundi 19 février 2001

**Standing committee on  
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances  
et des affaires économiques**

Consultations prébudgétaires



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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Monday 19 February 2001

Lundi 19 février 2001

*The committee met at 0900 in the Ottawa Sheraton Hotel, Ottawa.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning, everyone. I'd like to bring the morning meeting to order. It is 9 o'clock. I hope everyone had a nice weekend. Welcome here, Mr Patten. It's nice to see you.

**Mr Richard Patten (Ottawa Centre):** Welcome to Ottawa Centre.

**The Chair:** It's always our pleasure to come to Ottawa; it's nice and cool.

ONTARIO PUBLIC SERVICE  
EMPLOYEES UNION

**The Chair:** Our first presenters this morning are representatives from the Ontario disability support program subcommittee, OPSEU. Could you please come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Mr Bob Eaton:** For the record, my name is Bob Eaton.

**Ms Pam Smith:** My name is Pam Smith.

**Mr Eaton:** Good morning, committee members and honourable Chair. As I stated, my name is Bob Eaton, and with me today is my colleague, Pam Smith. I'm the OPSEU chair of the Ministry of Community and Social Services employee-employer relations committee. Pam is the OPSEU chair of the Ontario disability support program, a subcommittee of MERC.

We are here today to educate this committee and to provide a front-line perspective on issues related to the provision of services to disabled Ontarians. In our presentation, we hope to highlight the obstacles and challenges faced by the disabled community, their families and their service providers. We will indicate service gaps, inappropriate resource allocation and suggestions for improvement. We are here to advocate on behalf of our clients and in fact on behalf of all forward-thinking members of our communities. Thank you for granting us this opportunity and for your attention during the next 30 minutes.

The Ministry of Community and Social Services is the lead ministry when it comes to the administration and

provision of the majority of services for the disabled. Within the scope of the MCSS mandate we are going to examine the following programs: the Ontario disability support program, the ODSP; assistance for children with severe disabilities, ACSO; special services at home, SSH; and developmental services. It is our submission that, at best, these programs are woefully inadequate. At worst, their chronic underfunding and lack of purposeful direction is an indication of a paternalistic, archaic and inappropriate attitude toward the disabled and their needs.

Each and every one of us in this room knows and understands political process. We have all heard government rants about special interest groups. We have all heard about self-interested union bosses. We have all read in the media accusations that friends of the government have made out very well in the past five years. We cannot and must not allow those dynamics to come into play during this debate. Disabilities know no boundaries. Disabilities don't care about who you vote for or how much money you earn. Disabilities aren't regional. They have no preference for age groups. Disabilities don't discern union from management. Disabled Ontarians are not a special interest group. They are our mothers and fathers, our brothers and sisters, our grandparents, our neighbours, our friends, our children and our grandchildren. All of us are vulnerable. An accident, a sickness, a medical mistake—all of us are that close to being on the other side looking in. And if it's true that a society is truly judged by the way in which it treats its most vulnerable, then I'm afraid we're in for a fairly negative evaluation.

Several months ago, families had to go public with their plight as it related to the custody and care of their children. In a civilized society, this is simply unacceptable. No parent should ever be faced with the choice of giving up their child in order that needed services be made available. No ODSP client should have to retell their story over and over again to a team within an office. They are entitled to an identifiable, accountable case manager to supervise their individual case. Clients should not die in an inappropriate placement simply because bureaucrats determine that a zero admittance policy to the province's remaining DS facilities supersedes human need. Ministers should not make public statements intimating the closure of directly operated facilities when there are no viable alternatives available. Parents should not be faced with a lack of available talent due to low wages and lack of benefits and security when



searching for respite or developmental care. No parent should have to contemplate placing their child in residential care just because they feel they can no longer cope emotionally, physically or financially. And government policy should not be made to exacerbate these problems. Rather, service should be prompt, seamless, coordinated and, most of all, humane. Only then can we suggest that we are on our way to a just, caring and civilized society.

I'll now turn the floor over to my colleague Pam Smith. She will walk the committee through the presentation that we have prepared.

**Ms Smith:** OPSEU brings a unique perspective to this table, as we represent front-line professionals who provide direct services through the Ontario public service and whose services are contracted out through transfer payment agencies such as the Association for Community Living. OPSEU members are dedicated to the notion that disabled Ontarians are entitled to accessible, quality services and benefits.

If we take a look at the current fiscal climate spanning the budget periods from 1996 to 2000, Ontario government revenue has increased by 27.3%. With such a substantial growth in revenue, OPSEU would urge the government to reinvest in staffing resources within the Ontario disability support program.

If you refer to the chart on page 2, from the Ontario Outlook and Fiscal Review, you will see that revenue has indeed increased and we are in a position—we have been for the last two years—where there is a surplus. This chart was obtained from the Ontario Ministry of Finance.

Background on the ODSP: in June 1999 the Ministry of Community and Social Services assigned staffing to the Ontario disability support program. The way they came up with the ratio was one income support specialist, one client services rep and half an income support clerk position to every 500 clients on a caseload.

As well, in place of traditional caseload management, the ministry introduced a case pooling approach, whereby all cases were managed by an alpha split. For instance, as an income support specialist, I would be assigned cases whose last names began with the letters A to E, and each month this would rotate, so we would not have active caseloads. Income support specialists would rotate, and this was a very confusing and frustrating situation for both staff and clients. The result was program inconsistency and varying levels of customer service.

Since the implementation of ODSP, staffing resources have been woefully inadequate. This results in clients waiting longer for services and benefits.

In July 2000, OPSEU compiled a survey that was conducted on the business practices of the Ontario disability support program. We sent a survey out to our membership, and we had 29 offices reply. The survey was conducted between June 1 and June 30. The results were pretty much reinforced by ministry officials at our MERC subcommittee table, who said their findings, from what we were saying, were pretty much mirroring what they were seeing and hearing as well.

In September 2000, the ministry, after a series of delays, finally released results of their business process review. In a nutshell, all this review did was take the same amount of work and develop new workflow processes with the same amount of staff.

OPSEU was disappointed, to say the least, in this management approach. While there is some merit to some of the proposed changes, streamlining workflow will not work the same in all offices. For instance, if you take an office that has a large urban population, their needs and impacts are very different from an office in the north or in rural Ontario.

The ministry will argue they piloted this new process in three ODSP offices. Pilots can serve a purpose, if you are open-minded enough to accept the changes and are willing to adapt the process and incorporate those changes. Our position is that the pilots were rushed and provided limited testing of the product. We feel these pilots were rushed because the ministry has a contract with Andersen Consulting, now named Accenture. The contract expires in January 2002. We believe there wasn't adequate piloting of this new process. We see this simply as a dress rehearsal for the new computer system, called the service delivery model.

Under customer service issues, we continue to raise issues around a client's ability to access service in a timely manner with the implementation of the integrated voice response system, which is a centralized service to clients where they are given a PIN and can phone in to access a limited amount of information on their files; for instance, what their cheque will be at the end of the month or if their case is ongoing or on hold, things like that.

On December 20, the ministry indicated that 90,400 ODSP calls had been received from integrated voice response. The premise was that this was supposed to take some of the pressure off the local offices. What we're finding is that clients, by and large, don't trust the system. They are calling us to revalidate the information they've been given. Also, the figures the ministry released were that 283,000 Ontario Works clients accessed the information as well. The ministry was unable to clarify at that time, and has not been able to since, whether this was representative of the number of clients who used IVR or the number of calls they received. For instance, was one client calling 10 times? Was that counted as 10 clients, or was that counted as one call? That hasn't been clarified for us yet.

We have also indicated repeatedly that many of our clients do not trust the system and will not use the system. In addition, clients who have difficulty with cognitive functioning skills will not be able to access this service, nor will individuals who are blind or hearing impaired or who are assisted by a trustee.

Clients who come into our offices looking for service very often leave disappointed. For example, a client who brings in a prescription for eyeglasses requiring an authorization or a prescription for medication requiring a drug card will be told that unless it's an emergency this

information will be mailed out to them in two days. In the past, we would have accommodated the client. They may have had to wait in the waiting room for a few minutes, but we would have been able to accommodate them.

Clients are being discouraged from coming into our offices without an appointment. It appears that all these measures point toward further office closures and clients being forced to wait for their necessary services or travel further to access those services. When you consider that all our clients qualify for the program due to a disability, their needs may warrant immediate service. Staff shortages are having a catastrophic impact on client service and their accessibility.

0910

As indicated earlier, we have seen office closures: 65.5% of respondents to our survey indicated they have witnessed closures of offices within their various regions. This is problematic for staff, because they must now commute further to work or commute further to provide the service. It's also problematic for clients, who must travel further. This is extremely unreasonable and is causing financial hardship to those clients. As well, the impact on the clients' ability to receive service in or near their home community is at peril. This is a concern, especially in rural or remote areas in Ontario that do not have access to public transportation.

Just over a year ago, the ministry took over administering a program that we call mandatory special necessities. This was previously administered by the Ontario Works offices in the municipalities. Basically, it talks about diabetic supplies, surgical and incontinence supplies and medical transportation costs.

In December the ministry announced they would be reviewing the administration of MSN, and have introduced a new process whereby there is no longer a verification requirement for travel claims less than \$100 per month. This is a major contradiction with the process. If a client misrepresents or makes an error in reporting his or her travel claim, there is no requirement to collect an overpayment, as MSN is a benefit. In attempting to alleviate some of the pressure of administering this new benefit, it appears the ministry is frankly just buying some time while wasting valuable taxpayers' money.

A very small percentage of clients are aware of this benefit. We are making clients aware during our update reports and when we're taking applications, but by and large it's a pretty well kept secret. At a meeting in January, the ministry admitted that approximately 8,700 clients are making use of the medical transportation costs—are claiming those. With a program that has expanded to over 190,000 households—and I stress "households," because you have clients who are single but you have clients who are family members as well. They may have two or three children, and their spouse is also eligible. When you compound it by the numbers, it's certainly more than 190,000 people. We anticipate a growing need for not only medical transportation costs but also diabetic supplies, surgical supplies and in-

continence supplies. As a result, the ministry, with its current ODSP staffing, cannot possibly keep up with the demand for these benefits.

Next we want to look at program standards. Program standards are what we are monitored and evaluated on in terms of our job performance. We submit that chronic understaffing and the sheer volume of work severely restrict our ability to fully meet these standards.

The program's main accountability standard right now is the consolidated verification process. It's done every two years. That's when we meet with the client and review their circumstances with them to see if there are any changes, if there are arrears owing to the client or if there is an overpayment or adjustment needed in the benefit.

The target set for CVP interviews is eight per week. As an income support specialist, you can review eight files and have eight meetings with clients, but you can never guarantee you will have eight outcomes. So the premise is flawed. It's predicated on clients providing us the information, and it's also predicated on things that are beyond our control. For instance, Revenue Canada is supposed to be sending us the most recent income tax data. This takes two to three weeks, and we can't close the file without it. The client may come to the interview and bring everything they need and show us where they've received a pension in their bank book, but we don't know if income tax is taken off at source. Therefore we need something to verify the actual amount. All this takes time, and we cannot make that target.

Also, people are expected to travel in northern and rural areas to have interviews with clients, and yet it's never accounted for in the targets. Another other thing is technology changes. If we go out to an office that doesn't have a computer system, we take the information manually and come back and have to input it into the system. Once again, there is no accounting for that in the outcomes.

Another standard is mandatory special necessities. I talked a little bit about that earlier. We have to ensure the documentation is there and it accompanies the request. The volume of MSNs that we receive per day is staggering. We anticipate that will grow. There's a very good chance that we cannot and will not make the two-day turnaround, and we are not in most circumstances, in most situations.

When a client applies for Ontario disability assistance, applications are to be processed within 21 days. Our sense is that we simply do not have enough staff processing these referrals. A retroactive grant, where the Social Benefits Tribunal has gone back a year or a year and a half and we have to go back and recreate the data, makes it very difficult as well.

This is a growth program. There's a chart on the bottom of page 8 that demonstrates that. These figures were provided to us by the ministry. Based upon what we already know and what is being forecast, this program will continue to grow to at least 11,500 more households over a five-year period. Based upon the assumption that



this has been a growth program from the onset, or at the very least for the last two years, why is the ministry not hiring additional staff? In fact, one may postulate as to why 400 workers were laid off when the program was initiated in 1999.

There's also the issue of lost provincial revenue. Under ODSP, there are provisions for family support workers to assist clients in obtaining child and spousal support. Unfortunately, we are in a position where we cannot enforce this part of the legislation, as there are no family support workers in the Ontario public service. This results in the ministry being unable to negotiate court orders and agreements. Ontario Works FSWs, family support workers, are supposed to be negotiating these agreements, assessing the adequacy of support and representing the ministry's interests in court. However, what is happening for the most part across the ministry is that we are not pursuing support; we are simply putting in a reminder to check support every six months. When that six-month time expires, we are putting it ahead for another six months. We submit that hundreds of thousands of dollars are being lost each year because the ministry does not have employees doing this function.

What's at issue with the ODSP? As previously indicated, there are several issues that point toward an increased staffing need for this program. In order to provide quality customer service, process benefits and application requests, and ensure program integrity and accountability to the taxpayer, we need additional staffing resources. There's a chart on page 10 that we've prepared outlining the number of positions that we feel we require and the cost for those positions, including benefits. These positions are also based on the top of the salary grid. It's 248 additional positions, and we feel that's minimal in terms of what is warranted due to the increased workload and caseloads of the ODSP. We are also recommending having reviews done annually in all eight regions across the ministry to determine the need for increasing these numbers.

Next, I want to talk about assistance for children with severe disabilities. This program was designed to assist parents with extraordinary costs needed for caring for children with severe disabilities. To be eligible, the child must be under 18 years of age and living at home with either a parent or a legal guardian. Based on the family's gross income, the assistance they receive from us can range from \$25 to \$375 per month. If you look at the chart on the bottom of page 11, it's the consumer price index for Ontario cities ranging from 1989 to the present. There's been a steady increase in costs since 1992.

Incidentally, that's the last time these rates were reviewed. Neither the rates paid to families nor the income testing levels have been reviewed since 1992. We submit that a review is long overdue. Families with children who are disabled must reach farther into their pockets, not only to feed and clothe them but also to get them the services they require.

Caring for and raising a child with a disability is a task that is difficult and compels compassion. These families

need reassurances that they can continue to provide for their disabled children in the future. Without an increase in funding and rates paid to individual families, the future looks bleak indeed. Compared to the costs of residential care, ACSO is extremely economical and also fits the government's family first initiative.

The special services at home program is not based on family income and is designed to assist families caring for a child in the home with a disability or an adult with a developmental disability. Some of the typical services that are funded under this program include a worker assisting families with bathing and feeding a child. A worker will care for a child with a disability to give the parent a break and will teach children with a disability to dress themselves.

#### 0920

What's at issue here is that the funding provided to support workers is minimal. This presents a problem as workers deem this work as a stepping stone or an interim measure. At \$10 per hour, these highly trained workers usually move on when something higher-paying comes along. Low wages always mean a shortage of available workers in this demanding field.

This is frustrating for families and children who must constantly get accustomed to someone new. As well, it impedes the progress of the disabled child or adult, who must continually establish relationships with new workers. This becomes counterproductive and frustrating not only to the disabled child and adult and their families but also to the new workers.

To recruit and retain qualified support workers, the ministry must increase funding for these service providers. We recommend that support workers, based on their qualifications, receive wages commensurate with their skills and value.

Finally, I want to talk about a bit about developmental services. There are three remaining facilities operated by the Ontario public service. They are Rideau Regional Centre in Smiths Falls, Huronia Regional Centre in Orillia and Southwest Regional Centre in Blenheim. They care for approximately 1,200 clients. There remains a great number of high-needs, medically fragile people for whom community placements would be inappropriate. Exacerbating this dilemma is the rapidly aging population within our facilities. These folk, their families and advocates certainly favour the least disruptive option possible in terms of individual plans of care.

The only responsible recommendation is to advocate for an integrative, flexible and portable service delivery system. There is indeed a role for both community agencies and the three remaining directly operated facilities. There must be an abolition of circumstances that result in the perception that resources are somehow awarded to one service delivery philosophy at the expense of the other. Second, appropriate capital and human resources funding must be allocated to this sector that has historically suffered from chronic underfunding.

Within the three remaining directly operated facilities there is a wide range of expertise among front-line staff

and various practitioners. They must and can be utilized to fill the gaps existing in various community services. Examples include, but are not limited to, seating and feeding clinics, dentistry, behavioural assessments and management, physiotherapy, hydrotherapy, geriatric and long-term care, vocational training and respite and emergency care.

The proposed model emphasizes that Rideau Regional, Huronia and Southwest Regional centres be designed and marketed as resource centres for the disabled community. Additionally, the ministry would be assured the retention of qualified, professional staff for the provision of services. It would also safeguard against any unforeseen breakdown in community placements.

Taking this suggestion one step further, one could only entertain the notion that these revamped facilities could play a significant role in the long-term care of aged individuals otherwise confined to expensive hospital wards.

I'll now turn this back to Bob, who will lead us through the conclusion.

**Mr Eaton:** We hope you've found our presentation this morning to be thoughtful, informative and balanced. As front-line professionals, we are absolutely committed to providing quality service to our clients.

To recap our recommendations:

Appropriate resources have to be allocated to the ODSP in order to provide clients and taxpayers with an accountable, identifiable case manager. Ancillary positions must also be increased to compensate with current deficits and expected growth rates.

ACSD benefit rates and income-testing levels must be reviewed and adjusted immediately in order to support families in their efforts to care for children within the confines of the family home. Currently the maximum rate is \$375 per month, reduced according to income. At \$48,000 to \$49,000 per year, a Toronto family at the maximum level of support will see the ACSD disappear entirely.

Special services at home must increase benefits so that they are commensurate with the need to hire highly skilled, trained professionals to provide in-home developmental services and respite care. Increased wages should also attract more professionals into the field, negating the current human resource deficit and competition for resources.

The government should make capital investment into the province's remaining developmental services facilities in Smiths Falls, Blenheim and Orillia a top priority in the development of resource centres for the disabled. There should also be a commitment made by the government toward enhancing wages within the transfer payment sector in order to solidify staffing complement. This would lead to achieving the three Cs of care, commitment and consistency.

Though not part of this paper, the government should immediately review its policy vis-à-vis special-care agreements to ensure that our most vulnerable families receive appropriate and timely assistance.

Finally, the government should commit itself to working with all stakeholders in a quest to meet the mandate of providing programs and support for disabled Ontarians, their families and their caregivers. An annual forum dedicated to issues affecting the disabled would be a positive first step toward creating a responsive, accountable and seamless service delivery system.

Thank you for attention. We would now welcome any questions or comments.

**The Chair:** On behalf of the committee I would like to thank you for your presentation, but there is no time for questions as you have used the entire 30 minutes this morning. Thank you again.

CANADIAN UNION OF PUBLIC  
EMPLOYEES, LOCAL 2204  
OTTAWA-CARLETON CHILD CARE  
ASSOCIATION

**The Chair:** Our next presentation this morning, according to your agenda, is from CUPE local 2204, Brockville, but it's also a joint presentation, I'm told, with the Ottawa-Carleton Child Care Association. Could you please come forward and state your names for the record. On behalf of the committee, welcome.

**Ms Shellie Bird:** Hi. I'm Shellie Bird from CUPE 2204 and this is Jo-Ann Hightower from the Ottawa-Carleton Child Care Association.

The Ottawa-Carleton Child Care Association and the Canadian Union of Public Employees, local 2204, Child Care Workers of Eastern Ontario, would like to thank the standing committee on finance and economic affairs for giving us this opportunity to present before you.

Together, our organizations represent 50 child care agencies, which provide early learning and care services to approximately 2000 families in the city of Ottawa.

I'm going to be perfectly honest. Our organizations spent considerable time debating the usefulness of presenting before you today. We have made numerous appearances before this and previous governments on the issue of child care. And we are tired. We are tired that our plea for a system of early childhood development and care services continues to fall on deaf ears, despite the overwhelming scientific evidence and the crying need for it. We are tired from trying to maintain a high standard of early learning and care services while this government financially cripples the regulated child care sector. We are tired of trying in vain to respond to the real and immediate needs of children and their families in our community. We are truly at a loss as to what more we can say to you in order for you, our elected representatives, to understand and take action on the pressing need for early learning and care services in this province.

We stand here before you today and ask, how many more generations of children and families will governments continue to fail? We have countless studies and reports, and the findings of endless commissions, all stating the need for a comprehensive government-funded



and regulated system of early childhood development and care services.

We have a number of people who will be bringing forward the studies that go back more than 30 years.

**Ms Kathy Yach:** Good morning. I'm Kathy Yach. I'm a member of the of the OCCCA. Believe it or not, I'm 60 years of age. I was a young child when the dominion-provincial wartime agreement was signed and enabled 50% provincial-federal cost-sharing for nurseries for children whose mothers were employed in essential war industries.

**Ms Rachel Besharah:** I was a baby when the Royal Commission on the Status of Women recommended a national daycare act and funding for a universal child care system.

**Ms Sabina Lysnes:** My name is Sabina and this is my daughter Anna, who's in child care. In 1974 I was a young child when the Day Care Reform Action Alliance successfully fought the Birch proposals, the provincial government's proposed reduction in staff-child ratios and other standards reductions to reduce costs.

In 1985 I was in elementary school when the Rosalie Abella report of the Commission of Inquiry on Equality in Employment called for the establishment of a national system of child care to support families in their parenting roles.

**Ms Kasia LeBlanc:** In 1986 I was two years old when the Katie Cooke report called on the federal government to establish a national system of child care services.

In 1987, the New Directions for Day Care government policy initiative promised a comprehensive policy that recognized child care as a basic public service.

0930

**Ms Besharah:** My daughter Olivia was two years old when the Ontario Royal Commission on Learning called for a government-funded and regulated system of child care.

**Ms Bird:** In 1999, the recommendations from the study *Our Child Care Workforce: From Recognition to Remuneration* called for adequate government funding and regulation for early learning and care services, and we are hoping that these recommendations will be of benefit to this generation of children.

**Ms Besharah:** The provincial study *The Early Years* envisioned the development of a system of early child development and parenting centres to support children from conception to formal school entry, as well as their families.

**Ms Jo-Ann Hightower:** The first recommendation of the provincial government's Education Improvement Commission called on your government to strengthen its commitment to Ontario's children by ensuring their access to affordable, high-quality child care programs and excellent standards of nutrition, health care and safety.

We've had enough reports, commissions and studies. We've done enough pilot projects. You have more than 30 years of research right here before you, including your own *Early Years* study, that tell you what government

must do to ensure that children are healthy, safe, socially engaged and ready to learn.

UNICEF's *State of the World's Children 2000* report urged all governments to act, calling effective investments in health, nutrition, education, child care and basic protection both a moral imperative and sound economics.

We've got homegrown examples in Quebec and British Columbia of how to deliver a provincial system of early childhood development and care services. In Ontario, we've got a booming economy and a provincial budget surplus. There is no excuse for denying more than 70% of young children in this province the kind of early learning and care services that we know best support their healthy development.

We are asking this committee to recommend substantial provincial investments into a comprehensive system of early childhood development and care services similar to those in Quebec and British Columbia. To achieve this goal, we ask that you use the \$844 million in federal money over the next five years as a portion of the funding required to implement a universal system of early childhood development and care services.

History should tell you that this is an issue that's not going to go away. No matter how many governments choose to sidestep, study, negate and avoid this, it is not going away. It's not going away because we live in an economic order that requires more and more parents of young children to work. Their child care needs are real and pressing.

You've got all the research you need to tell you what to do. Maybe a few words from a parent will remind you why it is important for government to invest in children and their families.

I would like to reintroduce Rachel Besharah. Rachel is a parent of a young child named Olivia. She has agreed to present today because she thinks it is important that you understand what regulated high-quality child care has meant to her and her family.

**Ms Besharah:** Hello. I'm Rachel Besharah. I'm here today because I think it's important for this committee to hear from a parent what parents need. I know I speak for many families when I say that almost all of us need child care at some point in our lives. Whether it be our own children, grandchildren, nieces or nephews, the need for child care at some point touches most of us.

My daughter Olivia is five and, I am proud to say, has been in daycare since she was four months old. When Olivia was born, I was a student barely surviving on OSAP with a partner who was earning below the poverty line. I was fortunate enough to be offered a child care space which enabled me to continue with my studies. I missed her all day long, but was greatly comforted when I would arrive to pick her up every day. Olivia was thriving in a learning atmosphere that was nurturing and educational with trained staff who supported the whole family.

Reassured in the knowledge that Olivia was in the hands of caring professionals guided by standards and regulations, I was able to go to school and focus on my

studies rather than worry about my child care arrangements, as many parents do daily. As a parent I can't express enough what it meant to me to have trained and knowledgeable staff to talk to about any concerns or questions I had about Olivia's development and behaviours. They were a tremendous resource for my partner and I and they helped us to be better parents.

Without child care, I would not have been able to finish my studies and graduate with honours. I would not have been able to enter the workforce and become self-reliant. I would have had to have stayed home with Olivia, dependent upon the system, which I know is not what this government wants.

While still in school, the child care subsidy I received helped me to keep my head above water. Now that I have entered the workforce, I am a full-fee-paying parent who struggles with the high cost of child care. Despite struggling, this is the type of care I choose for my daughter, and I will continue to pay for what I value.

What parents need is affordable, accessible child care, not tax breaks. Parents need this government to invest in a provincial system of early learning and care services.

Ontario families are hearing more and more about the Quebec and BC provincial child care systems. It's time for the Ontario government to make that same commitment to its children and its families. The professionals have told you time and time again what early childhood education provides for in the early years. They've also reminded you of how it supports children in their later years. Please listen to those studies, but also listen to the parents. Despite needing to work to survive, raising my daughter is the most important job I will ever do. I'm asking you to support me and the other parents of this province to feel a little less burdened of the worry that we are good parents, that we are doing what is best for our children in helping them to reach their full potential.

Am I fortunate? Yes, I am. Do I feel privileged? Yes, I do, to have been so lucky to access this early childhood education for my daughter. But I strongly believe that early childhood education should be a right for all families and children. In our growing economy and the provincial budget surplus, it is no longer a matter of money; rather, a matter of political will. Please show us that you have that will in supporting Ontario families to be what they want to be.

**Ms Yach:** May I remind you that in 1999, the You Bet I Care federal study was the second national study to examine the relationship between staff wages and working conditions and quality child care. Both federal studies came to the same conclusion: while child care workers are the cornerstone of a quality system of child care in Canada, their needs for adequate wages and working conditions have largely been ignored, and that without focusing attention on those who care for a living, a system of quality child care in Canada cannot be realized.

**Ms Bird:** Thank you very much. Questions?

**The Chair:** We have approximately six minutes per caucus, and I'll start with the government side.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation. It's certainly nice to see the little ones here as well this morning. It adds to the impact of your presentation.

As a government, we certainly are concerned with the welfare of our children, and certainly they are our future. There have been a number of initiatives proposed in the last little while to support children. One of them is the early years challenge fund. I must put on the record that the government will invest up to \$30 million annually to support communities in early learning initiatives.

You've made a number of recommendations in your presentation that certainly will be taken into consideration with all of the others that come forward.

As I said, a number of initiatives have come forth, and I don't know whether your group is aware of all of the new ones and is taking advantage of them. But since 1995, funding for child welfare, children's aid, has increased by 80%, to over \$650 million, allowing children's aid societies to hire 1,000 new child protection workers; and the support to the Invest in Kids Foundation, which supports prevention and early intervention initiatives for high-risk children. Over 5,000 children and their families in eight communities benefit from the \$5-million annual commitment to Better Beginnings, Better Futures prevention program. These are just a few of a number of initiatives that this government has taken and moved forward on.

Our Minister of Community and Social Services is in constant consultation with groups such as yourselves and others that put forth very valuable recommendations on how we can continue to improve with new initiatives for child care, and certainly regulated child care centres make families, and moms for the most part, feel comfortable leaving their children there and, as stated by one of the presenters, being able to study and be in school and not have to worry about the welfare of your child. So certainly a number of the recommendations you've made here are going to be taken into consideration.

**0940**

I sense your frustration in your opening comments about the number of times that you've made presentations to committees, but please don't be discouraged by the results that don't seem to be at times doing everything that you put forward, because as a government we're in the challenging position of having to balance all of the recommendations and all of the initiatives and needs from various communities and then make a decision on what works best for the final picture. It's difficult for us to make decisions that make everybody happy, but certainly as a philosophical view we are concerned and do what we feel is best to move in that direction, and presentations like yours certainly help turn the light on in a number of other areas that we might not have considered in the past and certainly will have to look at for the future.

**Ms Bird:** In response to that, 70% of children in this province and across the country require access to non-parental child care arrangements. When all of the studies



are in that tell and demonstrate the need for a regulated, high-quality child care system, your government has cut more than \$70 million from the regulated child care sector. Child care funding per child has decreased 15% since your government came to office. There does not seem to be a commitment to child care and the early years fund does not provide any monies for expansion of child care, for increased subsidies to parents. In fact, it's the opposite. There has been a real pulling away from regulated quality child care by this government and it's a real concern. Centres are struggling and barely surviving under your government in their attempts to provide good care, the kind of care that we know benefits children and supports families. Your government has done everything that moves away from that.

**The Chair:** With that, we've run out of time. The official opposition.

**Mr Patten:** Thank you for coming out this morning, Shellie and everyone else, and all the children.

Shellie, in response to your last comment, that's my impression. The government of the day did do one thing: it did launch the Early Years Study, which I think was a great study in pulling together a lot of research. I think it still is. It stands up today and it's certainly a cornerstone for action. They have taken a number of tiny initiatives in looking at possible models etc, but in facing the overall situation on child care support for children and families it they have not.

As you know, as former children's critic I have some knowledge about this and some interest in this area. When you talk about the Quebec model and the BC model, I know in the Quebec model this is something over time; this is not implemented in one year. We're not talking about \$10 million, we're not talking about \$30 million; we're talking a couple of hundred million dollars, of rearranging priorities that get at helping children and families to have the support they need in the interests of a long-term investment in the greatest resource that we have as a society, which is our human resource. Interestingly enough, when you talk to people in the sector that up until last week was the most dynamic sector—I'm just joking, of course—what people call euphemistically the high-tech sector, the single-greatest resource is our human resources. That means we must invest in our people, we must invest in our children.

Given that context, can you describe a little more, please, a more comprehensive system, not just throwing \$5 million over here or a few dollars over here for a continual, perpetual pursuit of studies that seem to never go anywhere in a comprehensive manner.

**Ms Bird:** What we're looking at, and it's been put forward over the years, is the hub model, and it was also recommended in the Early Years Study about the parent centres. What we see it as is child care as the backbone to a comprehensive basket of services for children, with child care being the underlying thing upon which it rests.

The parenting centres that were proposed in this report are part of that, because we do recognize the need to support parents and children, and it is being done in

Quebec, where families are being supported directly by the government. It is comprehensive, flexible licensed home care, group child care. It's to meet parents' needs, because we have a long way to go in creating flexibility within the system and ensuring that parents who work shift work, weekends and part-time have access to child care. That needs to be built into the system. Does that answer your question?

**The Chair:** We've run out of time. Mr Christopher-son.

**Mr David Christopherson (Hamilton West):** Thank you very much for your presentation. I believe it's the second presentation we've heard.

It's almost a shame that you can't be with us for all the hearings, because there are quite a few groups that come in, especially on the business side, that are thrilled with this government. They spend the better part of 30 minutes singing their praises, telling them what a wonderful job they're doing, "Please keep cutting taxes; we're getting richer and richer and the world is getting better and better," yet every group that comes in that deals with anything other than just the bottom line starts to talk about, if not the devastation, certainly the deterioration of services—education, health care, environmental protection, child care, right across the board—so we can see who the winners are and who the losers are in Ontario, and it's a shame it has to be that way.

I'm glad you pointed out Quebec because, interestingly enough, Quebec was also pointed out to us by the Ontario Federation of Agriculture as being a province that supports their agriculture economy twice as strongly as the Ontario government does, and yet they also have this child care. The reason it's important to raise that is that right now it seems like this government puts forward what they consider to be the only alternative there is, that there's no other way to do business. Yet, there's Quebec with a strong, thriving economy putting resources into areas that need it, such as agriculture, and then they have cutting-edge, leading legislation in the area of child care. So I urge you to keep using that as an example because the government likes to say and pretend that those of us who would support these kinds of programs don't know anything about business, couldn't run the economy, and the only thing that really works is to follow the economic plan that they're following. We know differently. We know that's not the only way to approach an economy.

One of the things that wasn't raised too much here yet, and I understand why, and that's why I want to do it, is the whole issue of the wages that are being paid to early child care educators. If someone would just touch on that, because it's shocking when you think about the amount of education and experience and responsibility an individual has versus what they're being paid.

**Ms Hightower:** I'd just like to comment on the fact that we don't know how to deal with the bottom line. If you talk to a child care worker, they can tell you 365 different uses for an egg carton in child care. We are really, really good at budgeting and we've been dealing with shoestring budgets for a very long time.

I worked in a centre a number of years ago where I used my paycheque, the very minimal paycheque at that point as well, to buy supplies so the children had something to do every day. It wasn't because the owner of the child care centre didn't have a desire to provide the best quality program that she could; it was because the budget was so very minimal, and budgets still continue to be minimal. As an example, I'm just finished the process of doing my annual budget for this year and I haven't had a raise for my food costs since 1991. We are providing three healthy portions of food in the run of a day for \$1.64 per child per day. That's not a lot of money.

I'm going to let Shellie talk to you about wages. She's a little better at that than I am.

**Ms Bird:** Across the province, child care workers have not been seeing wages increases. In the last study our wages were compared to parking lot attendants', and I think it really is indicative of a government that would leave people who provide a critical service in our community earning the same as somebody who watches a car. Even though we talk a lot about how we value children, how we value those who work with children, we don't show it. We have not had a wage increase in six years and we weren't making that high a wage to begin with.

It is near to impossible to draw people into the child care field any more because the wages are so low. You come out of college with a huge debt and you're earning minimum wage and slightly above. It is a real problem to ensure that children are being cared for by trained, knowledgeable staff when governments are not prepared to adequately compensate them. It's a huge problem, and it's a huge problem to keep highly qualified, caring people in the field.

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**Ms Yach:** Can I just add one comment? You were talking about businesses, and I think all the different parties need to think about the issue of shift work. All of us here in Ottawa know of Nortel and JDS. They have shifts that run from 7 to 3 and 3 to 11, and they need adequate care during those shift hours. I think that's one thing the government has not looked at. We need funding for that. We need to have a cook over the supper hour, we need to have someone to follow through, and we need to come to terms with the money we need for that. So when you've finished your studies here, I hope you will consider the issue of high-tech and the need for shift work.

**Mr Christopherson:** I would come back to "unregulated." I think there are a lot of individuals, possibly members of the Legislature, who don't truly understand the difference between regulated and unregulated. If in the business world you start talking about regulation, they have nightmare visions of all kinds of red tape and hoops and bureaucrats and paperwork etc. In this case we're talking about the difference between an enforceable, monitorable, if that's a word, set of standards that guide how the children are to be cared for. When we get into unregulated, we're talking about grandma and

grandpa, which normally isn't a worry for someone, and even if it's a sister-in-law, brother-in-law, things like that, there isn't that much worry, although that can be a problem. But it could be just somebody down the street, and someone who is desperate will take whatever they can, and if they believe their child is taken care of the best they can possibly do, they can go off and earn enough money to at least put food on the table.

Personally—and I'd like your thoughts on this, if you can—I fear and dread the day that a child dies in an unregulated child care setting and then all of this comes tumbling out in a coroner's inquest. At some point we will reverse the trend, but you have to ask yourself how many innocent young children have to be hurt or perhaps die before we get the message that unregulated versus regulated can often mean the difference between life and death.

**Ms Bird:** I guess what we need to really look at when we're talking about this issue is that there is good unregulated care out there; there is bad unregulated care out there. If this government wants to put money out into the regulated sector, which is a growing trend of the provincial government, I think it behooves them to ensure that the taxpayer money is going to buy regulated child care instead of care of unknown quality. It is criminal to just throw money out into the community in the name of children with no regulation, no accountability. It's not good for children and it is not accountable to taxpayers to just throw money out into the unregulated sector.

That is what this government is choosing to do with child care: throw it out into the unregulated sector, give parents a little bit of a tax break through the Ontario child tax benefit, which I think is a maximum of \$1,100 a year, which is not enough to buy child care. So parents are left scrambling and having to live with whatever they can find out there. This government is very irresponsible in seeing that as a way of dealing with our child care needs. It really lacks vision.

**The Chair:** We're out of time. On behalf of the committee, thank you very much for your presentation this morning.

#### OTTAWA-CARLETON DISTRICT SCHOOL BOARD

**The Chair:** Our next presentation is from the Ottawa-Carleton District School Board. Could you please come forward and state your name for the record. On behalf of the committee, welcome.

**Mr Jim Libbey:** Thank you, Mr Chair. I'm Jim Libbey, chair of the Ottawa-Carleton District School Board.

**Mr Jim Grieve:** I'm Jim Grieve. I'm the director of education for the Ottawa-Carleton District School Board.

**Mr Libbey:** Mr Chair, members of the committee, ladies and gentlemen, on behalf of our 80,000 students, we very much appreciate this opportunity to explore with you the funding issues facing Ontario school boards.

I would like to start by acknowledging the improvements the government has made to various aspects of



public education. These include a new curriculum, the Education Quality and Accountability Office and the strengthening of school councils, to name just three. The recent creation of the Task Force on Effective Schools confirms the government's commitment to continuous improvement in public education.

My approach this morning will be to review briefly the recent history of education finances in Ontario to establish the context within which the current serious underfunding of public education in Ontario can be understood. I will then outline some of the more significant financial challenges that school boards face by analyzing specific shortcomings in the funding formula.

You will notice two important things. First, the issues raised pervade the funding formula; it is not that just one or two errors need to be corrected. This is not surprising, given the real underlying issue: the government has significantly reduced the total funding allocated to elementary and secondary school operations. Second, all Ontario school boards face the issues raised in our brief. You will hear this from others as you tour the province. The severity of a problem will vary from board to board. Our board is more challenged than most in areas such as special education, English as a second language, French as a second language, transportation, and new school construction.

So what is the historical context? In simple terms, there were two critical events. The first was the decision to ensure fair and non-discriminatory funding to all Ontario school boards, regardless of their tax assessment base. This decision was widely applauded, even by us, although it cost our board some \$50 million in grants.

Second, the government significantly reduced operating funds for elementary and secondary education in Ontario. This cost our board an additional \$35 million, approximately. Although some of that original cut has since been restored, province-wide operating funds continue to be significantly below their 1997 level of \$13.7 billion. Excluding phase-in funding and capital grants, student-focused funding for the current school year is projected to be some \$12.4 billion. That is a reduction of about \$1.3 billion, or 9.5%, not taking into account inflation. It is little wonder that the Ministry of Education is having great difficulty developing a sound funding formula when there is so little money available to them for school board operations.

The issues related to new school construction are complex and seem to differ from board to board. The government has arranged a significant amount of investment in new pupil places for some rapidly growing boards. However, as I will describe, the rigidity of the formula has prevented us from building some desperately needed new schools.

How much to invest in education as compared to health, social services, infrastructure, lower taxes and so on is, I suggest, the essential public policy question for your committee. We have been very encouraged in recent months by the clear evidence that has emerged in favour of investing in education. Business leaders in Ottawa and

our municipal politicians have rallied to the cause of education.

This afternoon, you will hear a presentation by the Ottawa Economic Development Corp that will explain why they have ranked education as the number one priority for our community. A new study sponsored by the Canadian Advanced Technology Association reports that Canadians rate education as the top issue for high-tech leaders to promote. Why? Simply put, competent, skilled citizens are essential to our long-term prosperity.

We have four recommendations for the committee.

First: that funding for elementary and secondary school board operations in Ontario be significantly increased by an amount that reflects the issues raised in this and other presentations, and more generally to reflect the real costs that must be incurred to provide high-quality education.

Second: that the Ministry of Education amend the general legislative grants regulation so that the increased funding is allocated to Ontario school boards to meet both the needs that are common to all boards and the unique needs of certain boards.

Third: that the Ministry of Education implement a zone model for determining the allocation of grants for new pupil places and new schools.

Fourth: that the 2003 review of the funding formula required by the Education Act commence immediately and include extensive consultation.

The rest of my presentation will focus on the implications of inadequate funding for the Ottawa-Carleton District School Board alone.

Since amalgamation on January 1, 1998, we have worked hard to live within the financial parameters established by the province. We have been, and will continue to be, creative and active in tapping new sources of revenue and operational efficiencies to accommodate the formula. For example, upon amalgamation we reduced our administrative and plant costs to be within the formula requirements immediately. We have maintained extremely restrictive transportation policies. We have undertaken vigorous energy management programs. We are establishing a charitable foundation to encourage philanthropic support for public education in the nation's capital. We use value-for-money audits to identify improvements in business practices. We have forged significant partnerships in the corporate community for services, equipment and learning experiences.

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To date our funding and our budget have been reduced by \$61 million from pre-amalgamation levels. We are within all non-instructional grant envelopes and have cut significantly into instructional costs, including special education and English as a second language. Any further cuts can only come from direct spending on students in the classroom, which we believe to be contrary to the intentions of the government.

Dollar amounts in this brief are rough estimates based on the general legislative grants, excluding mitigation grants, approved for our board for the current year, which

total approximately \$480 million. This amount includes no provision for new capital projects.

It is important to appreciate that we are not requesting an extended mitigation grant. Mitigation grants were intended to temporarily assist boards with the transition to the new funding formula. We require fundamental and permanent changes to the funding formula itself.

The needs for increased funding described in this brief are no wish list. They represent the minimum required to maintain public education in Ottawa at a reasonable standard. Other program areas that should be enhanced as part of the review of the funding formula include library services, guidance, school support staff, supervision of students and classroom assistants.

You have before you, attached to your document, two tables that summarize the shortfalls we face if the investment in education is not increased. First, let's look at some of the challenges related to our operating budgets.

**Salaries and benefits funding gap:** Teachers and other staff in schools are covered by collective agreements which dictate how much they must be paid. However, the current funding formula, the only source of funding for these mandatory costs, is based on proxy salaries and benefits per person that are significantly less than what we and other Ontario boards must pay. For example, educational assistants cost us \$34,000; the funding formula provides only \$26,000. This gap has existed since amalgamation and increases with each contract settlement. To date, mitigation grants have helped to cover this gap. They are set to expire this year.

Our staff recently presented an analysis to the Ministry of Education that indicates a shortfall in funding for salaries and benefits of approximately \$12.8 million.

**Staffing for special education:** The level of service we can provide to our special-needs students with fewer staff under the funding formula is unacceptable. Under the watchful eye of our highly competent and experienced special education advisory committee, or SEAC, we have attempted to implement a new delivery model that puts more emphasis on integrating special-needs students into regular classrooms. But students' needs are not being met. In fact, less than two weeks ago, SEAC unanimously endorsed a response to a staff report on a review of special education. The SEAC report included the following paragraph:

"The special education advisory committee of the OCDSB believes that the time has come to acknowledge the problems we are facing, to acknowledge that too many children are slipping between the widening cracks created by inadequate special education resources and to identify what resources are absolutely necessary if all of our students are to be successful."

These issues are very complex. We need clear provincial standards for special education program delivery. We need a common understanding of the costs of special education services. We need a funding formula that can be administered successfully and efficiently. We must be able to differentiate the requirements of one board compared to another.

What is clear is that success in special education does not benefit just our special-needs students; rather, it benefits all students and it contributes to the prosperity of the province.

Assuming the salary gap is corrected, our preliminary estimate is that special education is underfunded by approximately \$4.7 million.

**English as a second language:** Like Toronto, but unlike most of the rest of the province, Ottawa has a significant and growing multicultural population with high needs for English as a second language. These needs increase each year, as the city experiences the fastest growth of any urban area in the country and one of the fastest growth rates in North America.

It is critical to the economies of both Ottawa and Ontario, and it is in keeping with the province's own policy of equal access to quality education, that our ESL students be allowed to achieve their personal best on a level playing field. More than 12% of our enrolment, or 9,700 students, need ESL instruction. The provincial government provides program funding for only 30% of those students. Our ESL students, and therefore our community, are being shortchanged. We estimate that ESL is underfunded by \$3 million.

**French as a second language:** More than any other city in Ontario, Ottawa has a major responsibility to provide French-as-a-second-language training to all its students. The unique character of our city is reflected in job requirements for bilingualism demanded by employers in the service and retail sectors, public institutions, and of course the federal government. To help meet this requirement, our board begins core French in senior kindergarten rather than in grade 4, as dictated by the funding formula. The formula approach is insufficient for our nation's capital. The needs of our board exceed those of other boards in Ontario in this respect. We estimate that French-as-a-second-language programs are underfunded by \$3.8 million.

**Occasional teachers:** The budget for occasional teachers is rising, due primarily to the increased workload of secondary teachers who, under the province's new mandatory teaching times, are no longer available for as much on-call and supervisory duty. This affects both student achievement and safety in our schools. We need an increase of \$4 million to cover our actual occasional-teacher costs.

**Supplies and materials:** The simple but unavoidable fact is that textbooks and school supplies are lacking in many schools. At the same time, more and more student fees are being charged and families are being asked to buy more of their children's school supplies. Parents are becoming openly impatient and resentful that the wealthiest province imposes what amounts to extra taxes to furnish basic classroom materials such as textbooks, pencils and paper. We estimate that to provide essential classroom materials, \$3 million must be added to our funding for supplies and materials.

**Transportation:** Our two predecessor boards operated very efficient transportation systems. We have been



essentially frozen at those super-efficient levels, while others, including our coterminous English Catholic board, have been frozen at far more generous levels of funding. So it's not surprising that the Catholic board is reluctant to participate with us in arriving at transportation solutions. As a result, fewer of our students are entitled to transportation and many must walk much further to their bus stops and suffer the impacts of triple and in some cases quadruple busing, including irregular opening and closing hours for their schools. In addition to the adverse impacts on achievement, this puts our public board at a significant competitive disadvantage.

Despite three years of work, a new funding formula has not yet been developed for transportation. To bring our funding to the same level as that of our coterminous English Catholic board on the basis of cost per student transported would require some \$6 million. As an interim measure until a new formula is in place, to begin to level the playing field in Ottawa we need \$5 million additional funding for transportation. We ask that a fair funding formula for transportation be developed as soon as possible.

Rising heating costs: The significant world-wide rise in fuel costs has predictably had a major impact on our heating costs. We have already overspent our budget. We estimate that \$2.5 million is required to close this gap, and we recommend that the government study ways of protecting the budgets of school boards and other provincial institutions from the vagaries of energy price fluctuations.

School maintenance and operations: Despite improvements in funding in this area, we cannot maintain our buildings to current industry standards. Each year that we fall short on our spending in this area, the maintenance expenses for future years increase, thereby compounding the problem. We estimate that to maintain our schools in reasonable condition, an increase of \$4.6 million in our maintenance funding is required.

School councils: There is no specific funding in the formula for school councils, despite the agreed importance of these groups. We suggest that the government further emphasize their importance by including \$500 per school, an amount of about \$75,000.

Before I turn to table 2, "Capital and One-Time Expenses," I must comment on the burning issue of extracurricular activities. The OCDSB opposed the roughly 10% increase in secondary teacher workload that was introduced last summer. The impact has included serious reductions in areas such as valued extracurricular activities, on-call availability and hallway, lunchroom and other supervision time. Consequences include cost increases elsewhere, such as the occasional-teacher budget.

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We believe this committee should recommend that the government reopen Bill 74 in order to reassess teacher workloads. To add 10% to our teaching capacity at the secondary level would cost about \$11.3 million in the OCDSB, some of which would be offset as other costs, such as occasional teachers, decline. And there will be a

significant cost offset, of course, once four-year secondary school is fully implemented.

New school construction: Capital funding for new school construction is available only after the board achieves 100% capacity utilization across the district.

We have made major efforts to rationalize space and close schools over the last three years but, due largely to the complexities of our downtown school infrastructure and our need to retain flexibility to respond to ministry policy changes and to community needs, we have had limited success. Already the ministry has mandated class size reductions that have added to space requirements. Other needs that could result in policy changes include access to computer labs and family studies rooms for grades 7 and 8, appropriate child care facilities for seamless school days and standard gyms for every school.

Our immediate requirement is for four elementary schools in the growing suburbs. As we have regularly discussed with the ministry, the formula should recognize the geographic diversity of school districts and adopt a zone model, which in our case would provide approximately \$40 million for land acquisition and construction costs for four elementary schools.

The backlog in school renewal: School renewal funding covers replacements of things like heating systems and roofs, and the expansion of facilities. Like maintenance costs, renewal costs that are deferred tend to compound, but at a much greater rate. Staff has estimated the current renewal backlog at \$280 million. What is encouraging is that boards across Ontario are working hard to size up this problem.

It is important to know that the backlogs of maintenance and renewal were not created in the last few years. In fact, they have accumulated over decades of neglect of our facilities by Ontario governments and school boards. All too often, when finances get tight, we collectively tend to compromise spending in this area. This strategy is more expensive in the long run. It is time to make amends.

Moreover, according to the Little Red School House, a study of this phenomenon carried out by Ontario supervisory officers in 1991, the achievement of our students can be adversely affected by as much as 10% when they are housed in substandard accommodations. Our staff estimates that we can bring our facilities up to industry standards within 25 years if we add an additional \$24 million per year to our facility renewal funding.

Enterprise-wide information system: Ontario boards need modern financial, procurement, asset management, student information, human resource management, geographic information, and other computing systems. A major reason for these comprehensive systems is the increased data collection and reporting requirements mandated by the province. The one-time investment required for an enterprise-wide information system is estimated to be \$10 million.

As you can see, the problems identified do pervade the funding formula. The Ottawa-Carleton District School Board alone requires additional ongoing operating fund-

ing of approximately \$44 million just to maintain reasonable standards. And we need to build new schools, we need to begin to deal with the renewal backlog in older schools and we need to implement modern information systems.

Please take our four recommendations very seriously, in the interests of student achievement and the long-term prosperity of the province of Ontario. As a starting point, an increase of about \$1 billion in funding for elementary and secondary education seems not only appropriate but in fact essential.

Thank you, Mr Chair. We're open for questions.

**The Chair:** We have three minutes per caucus. I'll start with the official opposition.

**Mr Patten:** Thank you very much. It's not much time. I'm quite familiar with the extent of the challenges that you've faced. You begin behind the eight ball because, as you describe, in an attempt for the province to try to equalize payments all around the board, your board was faced with \$60-million-plus to cut back over a period of time. Given that, some of the formulas provide grave challenges. I would say that the flavour, by the way—I know the challenges of this board, quite intimately so, for my committee colleagues—is criminal in many ways. The challenges and the impact on special education and the attempt to shoehorn in, the lack of provincial standards, the lack of support for a board that has a history, I would say, of being recognized worldwide for its contribution to special education—not only in Canada but visitations from places around the world—is absolutely astounding. It is now threatened, and that's an absolute shame.

The dedication of the staff of the board, the teachers, is just unbelievable. The morale is extremely poor. It's not the only board suffering from this. I'm saying this in support of your particular plea. I commend you on your ability to intellectually rationalize and present something without emotion, because I know that a great deal of work has gone into this. The hours and hours of time that this board has spent—and some of those have gone into the wee hours of the morning, and I've been there at certain periods of time—is just unbelievable.

But I will ask you one thing: you've got about six or seven areas here, all of which are important. Would you identify, as you see it, one or two priorities that you think—because I don't think you're going to be able to get the kind of support you're identifying here—the board would absolutely need to begin to move forward to maintain the quality that you see? What would you say those would be?

**Mr Libbey:** As I've mentioned, the problems are pervasive throughout the funding formula. I think they're driven because the ministry doesn't have enough money to pay the school boards what they need and so they take a little here, a little there, a little bit everywhere. That's why they are pervasive and I think they need to be addressed in that manner. A lot of money needs to be put in and then the formula thought through piece by piece. Obviously we need to be able to pay our teachers, and if

there's \$12.8 million that we just can't pay under the contracts that we owe, that has to be fixed. It's very simple.

I think special education would probably be my second, and English as a second language, because these are programs that are desperately needed. These children need a level playing field, they need to be able to achieve their personal bests, and if they can, that augers well for the entire school system and for the province, all the students.

The issue of our school infrastructure, not being able to build new schools and a huge backlog of renewal costs desperately needs to be addressed. That is not a problem that this government or any other individual government has created, but it is a problem that faces us now. Certainly one of the good things that is happening as a result of the focus that the government has brought to these various individual areas is that we were looking very hard at them and we are beginning to understand very well the circumstances that we're in.

Jim, would you like to add anything to that?

**Mr Grieve:** Just very briefly, I would concur with my chair that the issue facing us at this point, if we're required to really prioritize some of this list, would fall in the areas of salaries and benefits, certainly in special ed and most definitely in supporting our growing and wonderful ESL population.

But I would tack on the issue of capital. We need to house our students in facilities that are adequate to the learning needs, and we're simply finding that we're falling further and further behind. The \$280-million estimate—and this isn't just a ballpark, this is based on a very rigorous appraisal of every school building we have and is being replicated right across the province now by almost all boards—unaddressed, will grow in Ottawa-Carleton to an \$800-million backlog within a very few short years.

**The Chair:** Thank you very much. Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation.

You know the government talks a good game about strategic investments, and, again, they'll do it when we get into the finite details of tax legislation, but for the life of me I can't think of anything more strategic in terms of an investment for our economic well-being in the future, as well as the kids themselves and their life that's ahead.

At some point, again, the government should be recognizing the fact that we've got elected trustees aside, saying something needs to be done with the funding formula. Senior management staff in virtually every board that I've ever talked to feel exactly same way. The teachers feel that way. The support staff feel that way. The parents feel that way. The kids feel that way. There's nobody left.

The only ones who don't seem to think we need to make a change are the people who have the power to do it, and why? They're addicted to tax cuts, because it works for them politically.



I want to comment that when I listened to you outlining the challenges facing Ottawa-Carleton, they sounded very similar to what we have in Hamilton, especially in terms of English as a second language, the older neighbourhood schools being closed, the backlog on repairs and not enough staff. If you take a look at a lot of the older communities across Ontario, our challenges are similar.

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Right now in Hamilton the flavour of the day, in terms of the ongoing crisis around lack of education funding, is inner city school closures, usually smaller schools where we're not up to 100% capacity and you have to close those to justify getting money for the expanding areas. I wonder how your board is viewing the damage that is done to neighbourhoods through the loss of a school that often is the entire focal point, not just the focal point of education but of social interaction and, as well, sometimes the only green space available in a built-up inner city area. Can you give me a sense of how that is playing out here in Ottawa-Carleton?

**Mr Libbey:** Indeed, we've worked very hard, over three years, on the question of school closures and rationalization. We don't disagree at all that we have to be very efficient in the utilization of our space. We have closed some schools; we have put some schools up for disposal.

Perhaps the telling response to the question is that the last board, back in October, I believe, did agree to close six schools. But subject to looking at some demographic data, which was still in preparation by the municipality, it was left to the new board after the election to finalize that decision. Many of you probably are aware that the new board—it was probably one of the most, let me call it, interesting municipal and school board elections in a long time. In fact five new trustees were elected, and the community was very much saying to us, "You can't go around closing these downtown schools in order to build them outside the greenbelt. It doesn't make sense." Moreover, municipal politicians came to us and said, "Don't do this. It's our community. We need to keep our community intact," getting at the issue of what it means to take a school out of a neighbourhood.

Moreover, the business community rallied behind us and were very insistent. They said, "We need excellent education if we are to attract people to Ottawa." They said that to disrupt the downtown schools too much is to say (a) we don't care too much about education and (b) we're not going to have the infrastructure available, when people do come, for the ones who want to live downtown. We still have a lot of analysis to go on the downtown situation, but basically we opened five of those six schools and retained them until we can do a better job of figuring out where we should go with it. That's the feeling.

**Mr John O'Toole (Durham):** Thank you very much for your presentation this morning. I know the plight of school boards with some insight. I was a trustee for a couple of terms. You were praising the Ottawa-Carleton

board, which I would as well. I just looked at the briefing note here. You are doing some partnering and some inventive, creative things, and I commend you for that.

I represent the area with the Durham Board of Education, the winner of the Bertelsmann award, an international award. I guess the argument starts there. I remember the issues were the same when I was a trustee around 1985—exactly the same issues; nothing has changed. We felt we were the lowest-funded board in Ontario, yet we were the top, internationally recognized board. It was recognized—and I hope I don't sound like I'm lecturing, but there was such a disparity. In 1994-95, clearly one of the issues was the disparity of funding in public education, based on assessment wealth, pure and simple. In fact, in the Royal Commission on Learning report, *For the Love of Learning*, the 164 recommendations made it very clear that in public education each child should be treated equitably. So the foundation, the formula for what we're trying to do, would be to have affordable, accessible, quality education.

You did—and I commend you—in your introduction commend the government. In fact, it isn't the government. It's the initiation of the government to implement some of the royal commission findings: the new curriculum you talked about, the external efforts relentlessly in each budget, including the last one, to reduce class size.

Jim, I'm going to have to take your basic premise to task. The numbers I'm looking at are absolutely, indisputably—your numbers are false. I'm looking at the macro view; I'm not looking at Ottawa. The Ministry of Education funding year over year, and I'll give you the numbers: basically starting in 1994 it was \$13.9 billion; in 1999-2000 it was \$14.2 billion; and projected to 2002, \$14.7 billion. At the macro level for the province of Ontario, I'd like you to concede that we are spending more money equitably across the province.

This creates a problem. It clearly creates a problem. In fact, in Toronto just a week or so ago they had a settlement for 8%, and the province really funded additional funding for wage settlement at around 2%. They settled I think for 8%, though I'm not sure it's been ratified yet. That money traditionally is going to come from the buildings that are in disrepair, it's going to come from maintenance, it's going to come from school textbooks; it's going to come from everything.

Your top three requests, your top three wish list items were as follows: salary and benefits, \$12.8 million.

**The Chair:** I have to ask you to put your questions, Mr O'Toole, please.

**Mr O'Toole:** I'll have a question here.

The next one was staffing for special education, \$4.7 million; occasional teachers, which means time off, \$4 million. Until we recognize that the student is the focus of the whole system, not other stakeholder groups, we've got the wrong message.

My question here is, do you now provide extracurricular activities? Have you settled your contract, and for how much?

**Mr Libbey:** We provide some extracurricular activities in the secondary level. They have been provided primarily by volunteers because we have put in place a volunteer policy that enables us to do that reasonably well. I'll ask director Grieve in a moment what per cent we're at across the board, if we can remember that per cent. We're reasonably proud of it, but we're still well short of what we want to be at. Not only that, but the approach we have in place right now is relatively unsustainable, in our view. We have settled with the secondary teachers. Jim, I'll ask you for that.

**Mr Grieve:** We're in negotiations.

**Mr Libbey:** We're in negotiations with the elementary teachers. But the settlement with the secondary was four point something.

**The Chair:** With that, I must bring the discussion to an end as we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

#### CANADIAN TAXPAYERS FEDERATION

**The Chair:** Our next presentation this morning is from the Canadian Taxpayers Federation. I would ask the presenters to come forward and state your names for the record, please. On behalf of the committee, welcome.

**Mr Walter Robinson:** Thank you, Chairman Beaubien. My name is Walter Robinson and I appear before you today in my capacity as federal director of the Canadian Taxpayers Federation. Seated beside me is Mr Bruce Winchester, our director of research.

Ma présentation ce matin sera en anglais seulement, mais à la fin, si vous avez des questions en français ou en anglais, je vais essayer de vous répondre dans la langue de votre choix.

By way of background, the Canadian Taxpayers Federation was founded in 1990 and has grown in 11 short years to become Canada's largest and most effective taxpayer advocacy organization. We are non-partisan and not-for-profit. We do not receive any federal or provincial political contributions, nor do we receive financial assistance from any level of government. During employment with the CTF, all directors and staff are forbidden to hold memberships in any and all political parties.

Our mandate is threefold: we act as a watchdog on government spending; we encourage our supporters to exercise their own democratic rights and responsibilities, thereby taking ownership of public policy; and we advocate fiscal and democratic reforms through presentations to legislative committees such as yours this morning.

The focus of our pre-budget submission, copies of which are in front of you, I believe, is to drive home the message that an unwavering fiscal focus can and will ensure a formative future for Ontario.

We wish to congratulate the government for acting on two of our recommendations from last year: eliminating provincial bracket creep and moving to a tax-on-income system. To be fair, we also acknowledge the small steps

the government has taken with respect to reducing our provincial debt.

#### 1030

While last year's fiscal indicators, as outlined on page 5 of our pre-budget submission, signal robust economic performance, extreme caution and prudence must underlie the articulation of Ontario's fiscal plan in budget 2001; or in simpler terms, that was then and this is now. Today, the clouds of economic uncertainty cast a long shadow over our province. The US Federal Reserve Board has dropped its trend-setting interest rate by 100 basis points in four weeks. In addition, board chairman Alan Greenspan has signaled that further interest rate cuts may be necessary to mitigate against what he calls downside risk.

Major multinationals such as Whirlpool Corp and auto giant DaimlerChrysler have announced significant workforce reductions in the last month, and just last week, as you know, Canadian-based optical networking behemoth Nortel signaled its intention to up its global layoff tally from 6,000 to 10,000 workers.

To complicate matters, unlike Ottawa, the Ontario government does not have the option of specific monetary policy changes to mitigate against recessionary pressures, and it is monetary policy which is the most effective tool in a recessionary environment.

Inflationary pressures are also present. Ontario's inflation rate as measured by the CPI was 2.9% for last year, and recent surges in oil and commodity prices signal that this trend will continue for most of 2001. Talk about sobering news for a Monday morning.

Economists are split as to their interpretation of the gravity of all these signals. Some fear a deep and prolonged, at least nine months or more, US-led global recession. Others are more upbeat, choosing instead to label the present economic environment as nothing more than a surplus-inventory six-month correction cycle.

One thing is for sure: such uncertainty necessitates fiscal prudence. Unfortunately the government of Ontario has not exhibited this prudence. Indeed, since 1995, the Harris government has steadily abandoned many of its fiscal principles that were first articulated in the Common Sense Revolution. From privatization to expenditure control to redefining the role of government, the party of the revolution, we believe, has become the party of the institution.

Let me be very clear in this. At mid-term, through its second mandate, we believe the PC government is bereft of fiscal vision. However, implementation of our recommendations would provide a foundation for the government to once again articulate a compelling and sustainable fiscal vision.

To start, the government must get serious about reducing Ontario's \$112-billion debt. We can cut tomorrow's taxes by reducing debt today. Indeed the provincial debt, which all parties—the Liberals, the NDP and the PCs—had a hand in creating, represents a burden of intergenerational tax evasion that we should not and cannot pass on to future generations of taxpayers.



Each taxpayer in Ontario today is responsible for \$21,000 worth of debt. Worse still, debt interest costs alone today are \$1 billion higher than they were when the current government assumed office in 1995. At \$9.4 billion a year, debt interest payments chew up 14.7 cents of every tax dollar that you and I send to Queen's Park. That's over \$25 million a day, over \$1 million per hour, \$18,000 a minute and a whopping \$299.02 for each and every second.

For budget 2001, we recommend a legislated schedule of annual debt reduction payments of 4% of gross provincial revenues. If revenue growth were to continue at 3% per annum, applying 4% of revenues would result in Ontario becoming debt-free by the year 2028. This analysis is found on page 10 of our submission.

Ontario is competing for jobs and investment with the Great Lakes states and provinces such as Alberta. When it comes to debt reduction, we should remember that our American friends are projected to be debt-free between 2012 and 2015, depending on the magnitude of the tax cut President Bush can push through Congress. Meanwhile, Alberta is projected to be debt-free next year, or by 2003 at the latest. Reducing debt is not only the right thing to do for future generations, there are also more pressing and immediate competitive and political dynamics that make this priority number one for this year's budget.

Hot on the heels of debt reduction, spending controls rank a close second for policy inclusion in the budget later this May. Nowhere is this more evident than in the unsustainable trend of Ontario's skyrocketing health care expenditures. To be fair, we acknowledge the tremendous pressures that CHST cuts at the federal level have exacerbated and that mammoth public expectations are political facts of life when it comes to health care funding. In fact, 62% of all new or increased spending in Canada's 10 provinces over the past three years has gone to one file and one file alone: health care.

Simply throwing more money at the problem is not the answer. In this respect you're no different than the federal Liberals or the BC NDP in your irresponsible and reckless spending approach to health care. Ontario's health care budget has increased at an average rate of 5.92% over the past three years. If this trend continues and we were to use the same revenue growth rate of 3% a year as we did in our earlier example for debt reduction, then by the year 2038 Ontario will require only two ministries: finance to collect the money and health to spend it, period. Full stop. This is illustrated on page 12 of our submission and it bears repeating.

Health care is poised to consume the entire provincial budget in 37 years. By 2015 alone, health-related spending will consume 50% of the provincial budget. Provincial politicians will be forced to make either/or choices. They, or should I say you, will be forced to choose between health care and education, between hospital beds or textbooks. You will then long for the good old days of the late 1990s and early 21st century with their simple trade-off debate between tax cuts and spending.

While health care is the most troubling example, the message is relevant for all provincial portfolios, and in this regard the government is to be chastised for misleading Ontarians in successive budget documents. For example, on page 47 of Budget 2000, the government maintains its "commitment to controlling spending is demonstrated by significant reductions in program spending as a per cent of Ontario's gross domestic product." There's a nice little graph here and the line continues to go down and everything is supposed to be rosy. This is utter and absolute nonsense.

If the provincial GDP were to grow by 10% a year and program spending climbed a whopping 9%, spending when measured as a percentage of GDP year over year would still decrease. The graph would go down. But no sane individual would claim that a 9% spending increase in a low-inflation environment is the mark of a fiscally prudent government. This measure also negates the amount of revenues that the government will or will not collect.

On the health care front Ontario needs a plan, any sort of plan, and quickly. Demographic shifts, technology and pharmaceutical costs will skyrocket and patient utilization pressures will further exacerbate demands for continuing increases to the health budget envelope. Outcomes analysis, restructuring health care governance, primary care reform and other initiatives are necessary and long overdue. Ontario should also push for modernization with its provincial partners of the Canada Health Act to include the principles of choice, sustainability, quality and accountability as principles for the Canada Health Act. They don't exist there now.

As for overall spending, we recommend that the government seek first to meet the needs of increased priority program expenditures through reallocation within existing budget envelopes. Further to this principle, we believe that total annual program expenditure growth should not exceed the upper-limit benchmark, a percentage of annual inflation plus population growth.

Turning to tax reform, allow me to reiterate the CTF's support for Ontario's move to a tax-on-income system. However, this move has been somewhat confusing for Ontario taxpayers wishing to keep track of the government's tax cut promises, especially the pledge to reduce income taxes by a further 20% on top of the 30% which occurred in the first mandate. In light of recent substantive federal tax cuts, taxpayers can be forgiven for wondering if they would be better off under the old provincial tax payable on federal tax system. Our summary calculations, found on page 14 of our submission, indicate that this is indeed the case. Federal tax cuts have been clawed back by higher than necessary provincial rates, and it will be the case for the 2001 taxation year unless new and lower rates are announced.

Along with lowering these rates to the appropriate levels, the government should indicate through various income-earner profile examples in its budget that Ontarians are equal to or better off in the made-for-Ontario tax environment as opposed to the old tax-on-tax system.

1040

We once again call for the appointment of a minister of privatization with cross-departmental responsibility to take a look at how you can continually evolve and devolve government services. However, since this is unlikely, we also recommend that an all-party legislative committee be established once during each session to review all relevant government operations and highlight candidates for divestiture and/or alternative service delivery. Finally, we recommend that the Ontario government cut provincial gas taxes to a level commensurate with roadway and public transportation spending, which has reached a 50-year low, even when SuperBuild initiatives are included.

Budget 2001 poses significant challenges for fiscal management in Ontario. Minister Flaherty must temper public expectations for devotion of anticipated surpluses of over-taxation into areas of program spending with a more long-term view to tackling the systemic problems of an intolerable provincial debt burden and runaway program expenditures. Whether it is raising a child, building a business or managing your own portfolio, in all these endeavours of life taking a long-term view is without question always the wisest and most successful strategy. It should be no different for the government of Ontario and its choices for this year's budget. Adoption of our recommendations for a fiscal focus can and will ensure a formative future for all Ontarians.

Merci pour votre attention ce matin. J'attends avec impatience vos questions.

**The Vice-Chair (Mr Doug Galt):** Thank you very much for a very detailed presentation to the task force. We have about four minutes per caucus. We'll start with Mr Christopherson.

**Mr Christopherson:** Welcome, Walter; good to see you again. To start on a positive note—I've got two, actually, so things are getting better as the years click by.

**Mr Robinson:** Save them for next year, Mr Christopherson.

**Mr Christopherson:** Let's stay optimistic and hopefully we can work toward three next year.

First of all, I love your tone. It's great, exactly the sort of approach that should be taken with this government, whether you're attacking it from the right or the left. The issue of the bracket creep: you and I spent a fair bit of time last year talking about that during your presentation. We agreed that it was a good thing. The government did it. I said it was a good thing. I think it's good for the people of Ontario when, sort of, right meets left and you agree fiscally on a direction that should be taken. It's a good litmus test, in my opinion.

Now, having said that, two issues: on page 5, you say—and you spend a lot of time on health care, you make your projections and your arguments—“On the health care front, Ontario needs a plan, any sort of plan, and quickly.” I just wanted to point out to you that one could say that you could spend an even longer period of time making the argument about all the problems that exist in the health care system, but then to me it looks

like almost a throwaway to say, “Ontario needs a plan.” At the end of the day, that sort of is everything. The arguments really don't matter much then when you've determined you have to do something, again regardless of your philosophical approach. So to just say “needs a plan” is not really as helpful as I know—and I mean this sincerely—that you want to be in terms of the comments that you make. I don't have a lot of time, so I'll just link up my questions and you can deal with whichever you prefer. So I'm wondering what direction: do you have some thoughts? If it is privatization, let's hear that and let's have that debate.

The other one is on cutting the gas tax. I don't think anyone would argue that in an ideal world we'd like to have the amount of money spent on roads, bridges, transportation to be commensurate with what we collect. However, given the way that the consolidated revenue fund works in the province of Ontario, which is not different from any other government, if you take that much money—and I suspect we're talking hundreds of millions, if not billions, of dollars—out of the revenue equation, then either we borrow the money, cut services or raise taxes somewhere else in order to offset that. I wondered how you saw that being dealt with. So those two areas, Walter.

**Mr Robinson:** Thank you for the questions. I'm glad we do find points of agreement across the political spectrum. It's more like a circle as opposed to a spectrum sometimes.

With respect to the very valid point in terms of “Ontario needs a plan,” at the moment the Canadian Taxpayers Federation is preparing a national discussion paper for release this May or June. It'll be the most ambitious thing we've ever done on health care, over 100 pages. We have freedom-of-information requests into every province and territorial government, plus the federal government, for waiting list estimates, for issues such as how many patients we're sending south of the border for health care, what our workers' compensation boards are doing, and also discussing the philosophical issues around health care.

I would caution you, if I may, with respect, Mr Christopherson, that just to say, “Is the plan privatization?”—no, that is a sterile debate in health care, that it's either our system or it's the evil American system, negating the fact that there are some 85 industrialized countries on the face of the planet, many of them social-democratic-governed countries, which employ a blend of public and private medicine for the best and most effective delivery of health care to their respective citizens.

We haven't put it in here; I think it's a separate submission we'll make to the respective standing committees on health around the country in May and June, plus a national editorial board tour, to say, “Let's bring best practices from around the world.” Perhaps it's Chinese or Singapore medical savings accounts for primary care, or perhaps it continues to be a single-payer model for tertiary care being the most effective. I would look to the United States and say we should emulate what they do in



research and development. For heaven's sake, the University of Texas M.D. Anderson Cancer Care Center in Houston, Texas, spends more on research and development for cancer care than the entire nation of Canada, period. So perhaps we should emulate some of the things the Americans do in terms of wellness promotion and a variety of other things. Mr Patten and I have spoken at length on some of those issues. That's where we are on health care.

With respect to the tax cuts question on gas taxes, again it's part of an overall national campaign to point out that the amount of money we're collecting at the pumps is not being put back into roads and public infrastructure, including public transportation, whether it be congestion pressures in the GTA, light rail initiatives here in Ottawa or other communities around the province. It's an alarm bell to tell the provincial government, "Wait a minute, here. You just cannot continue to collect these high fuel tax costs and not have some premise of redirecting them back." As much as we're not advocating for dedicated taxation, we are advocating for the historical principle of gas taxes.

**The Vice-Chair:** We'll have to move on to the government side.

**Mr Ted Arnott (Waterloo-Wellington):** Thank you, Mr Robinson, for your presentation. I think your criticism of the government is intended to be constructive. Your observations have been noted by the government members. I'm certain that the Minister of Finance will be interested in what you've had to say.

I want to thank you for your support of the notion of the need for debt reduction as a higher priority within the government. I think you're absolutely right on that. For the last three and a half years I've been advocating within our caucus that the government should adopt a debt retirement plan over the long term, suggesting that we should try to look to the future with a vision of a debt-free Ontario. Alberta of course is in the very enviable position of being almost debt-free. As you pointed out, the United States has a projection that, if certain current trends continue, they may be debt-free by the year 2012. Looking at our economic policies as a Conservative government, we have to look at debt retirement with a view toward making that a higher priority.

In terms of health care spending, I think it's fair to point out that our government was committed to increasing the health budget to \$22 billion, which we've achieved earlier in our mandate than we had planned, I suppose, but we are responding to the needs, we believe, of the population and the expectation for improved health care. I think it's fair to say that we're not wasting a lot of money in health care right now. But I would say to you that your suggestions and your recommendations in terms of improving patient care while saving money within the system would be very helpful. We would look forward to receiving that advice from your organization.

**Mr Robinson:** Again, I understand the political imperative of increasing health care funding, but as we've pointed out many times, more funding does not equal

better outcomes. More funding is more funding. We tried for 30 years federally to fund job creation through deficits and all we got were more deficits and a national debt. There are other areas. That's why we point out, and we'll point out again in our submission, outcomes measurement. More funding does not necessarily increase life expectancy. More funding, if it just goes to freeing up bed space, may not go to needed cancer research or needed research into the diseases of aging. It's a question of targeting and looking at outcomes and on where you get the best bang for your buck. That's our message to the provincial government.

I think Mr Winchester may have something to add on that. No. OK.

**The Vice-Chair:** Just 30 seconds.

**Mrs Molinari:** Thank you for your presentation. My comments are more in the line of, as a government we feel that we need to have a balance. Certainly debt reduction is one of our priorities, and tax cuts and creating jobs will add more dollars to the coffers. We also need to invest in social services that we presently have—education and health and all of those. So trying to keep that balance is the critical point and not to focus primarily in one area, debt reduction. As important as it is, we also need to keep in mind that there needs to be a balance.

1050

If I do have time and you have time to respond, I wanted to hear more about the comment you made about there's too much focus, almost myopic, on public dollars committed and too little focus, or non-existent, on result obtained for public expenditures and value-for-dollar questions. So if there is an opportunity, if you would respond and be a little more specific on what you mean by that comment, I would appreciate it.

**The Vice-Chair:** An ultra-short response, by all means.

**Mr Robinson:** Just a point of clarification: we still have one question coming from the Liberal side. That's why we're moving here.

In terms of the focus, more value-for-money audits, a greater adherence to the recommendations of the auditor of Ontario. Mr Peters does good work, and we believe that there's very much a federal malaise that has beset Queen's Park as well, that the Provincial Auditor's report is something to be tolerated—take two Tylenol, read tomorrow's headlines and let's move on—as opposed to responding constructively to what an independent officer of the Legislature says should be done to improve government performance.

**The Vice-Chair:** Thank you very much. We move on to the Liberals.

**Mr Monte Kwinter (York Centre):** Thank you very much for your presentation. I agree with very much of what you say, but I have a basic problem. The basic problem is that when I was in government the most common comment I got from people like yourselves and the business community was, "If you had only run that place like a business everybody would be better off."

The problem: You can't run the government like a business, because you can't make some of the changes

that a business is forced to make. Take a look at Nortel. Nortel has gone to the point where they've seen their share price go from over \$100 to \$30; they're announcing they're going to lay off 10,000 people. If you had that situation happen in government you would have disaster, you would have a severe problem, so you have to make choices.

This government made a choice to have a tax cut when they were still in a deficit, so that tax cut was paid for by increasing the debt of the province. In 1990 Mike Harris went to Windsor and stated, as you have stated in your brief, that we don't have a revenue problem; we have an expenditure problem—and he was against casinos. The next day he changed his mind because he suddenly came to terms with the political reality. Now we have a situation that if that revenue was not there from casinos and gambling, they would have a much more serious problem than they have now.

These are some of the concerns that I have. I absolutely agree that you've got to reduce the debt as quickly as possible. I don't know when you got here this morning, but I'll tell you, we've been having these hearings for a week now and we have delegation after delegation coming to us and saying, "You've got to spend more on education. You've got to spend more on child care. You've got to spend more on infrastructure. You've got to spend more on every single area." There is a demand by people to say, "We're sorely underfunded, the long-term progress of this province is being undermined, and you've got to increase it." You have these conflicting interests: the fiscal reality that we've got to get rid of the debt and the political reality that the citizens of this province expect sort of minimal service that even now is not being provided. Do you have any reaction to that?

**Mr Robinson:** Thank you for the question, which gets us back to the entire theme of our presentation: fiscal focus for formative future. You cannot redistribute the wealth if you don't create it in the first place. It is not a chicken-or-egg question.

The pillars of a respectable civil society in terms of taking care of the needy, having funded meritorious public goods and services, are built on a foundation of wealth creation. We think the quickest route to wealth creation is ensuring that our fiscal house is in order, and once we reduce the debt we free up 14.7 cents out of every tax dollar. You free up \$9 billion for needed social service investments. That gets back to us on debt reduction.

The organization does not have a political position on the casino question, other than that gambling is a tax on people who are bad at math. I'm guilty as charged. I buy the odd 6/49 ticket, but I can afford it. Unfortunately, it preys on the poorest and most vulnerable in our society. They just get into a cycle, whether it be welfare dependency or continuous low incomes. Unfortunately, that's the reality of gambling. We have a fear that the government is actually too reliant on gambling and lottery and alcohol sales revenues. They are very cyclical with an economy as well and not the sustainable basis of long-term funding for needed social services and public goods.

**The Vice-Chair:** Our time has run out. We appreciate your presentation. On behalf of the committee, thank you very much for coming forward.

**Mr Robinson:** Thank you, Mr Chair. Our hearts are with Mr Patten.

#### CANADA'S RESEARCH-BASED PHARMACEUTICAL COMPANIES

**The Vice-Chair:** Our next delegation is Canada's Research-Based Pharmaceutical Companies, Mr Murray Elston, president; Ms Zenek Dybka, director of Ontario region. Maybe you can restate your names for the record. On behalf of the committee, welcome. We look forward to your presentation.

**Mr Murray Elston:** Thanks very much, Mr Chairman. I'm Murray Elston. I'm the president of Canada's Research-Based Pharmaceutical Companies. Zenek Dybka is the director of the Ontario region. It's good just to get back into the forum. I see that people haven't lost their inclinations to deliver the usual materials here. It's good to sort of feel like I'm back home, in a way. I think it might be fair to say that I wasn't always a welcome participant in these committees from a previous life, but I'm happy to be here this morning with you. It's good to see so many faces that I recognize. I can count on some interesting questions, I think.

Let me do a couple of things. Let me just bring your attention to the piece which is in front of you. It probably would be better if I read it, but I won't. What I will do is try to highlight it so there'll be some time left for some questions, which I think is probably a more useful way of proceeding.

First of all, our association represents 58 companies. Our backgrounder, which is appendix A, sets out that there are some 21,000 Canadians who are directly employed by our companies. It includes the large companies which you might recognize: GlaxoSmithKline, Purdue Pharma, Pharmacia, Merck, Pfizer. It also represents the new evolving biopharmaceutical companies, many of whom you will not have heard of, but about whom you will hear a lot more in the future: we have Lorus, we have QLT from BC, Biomira from Alberta, Theratech technologies out of Quebec, and a whole host of others who represent for us the way of the future. In a sense, it really brings me to the nub of our presentation, which is basically that the pharmaceutical industry represents for Ontario a very major prospect of the way forward.

During the last federal election, we had five official parties that were organized around the debates about where we go from here. All of them were moving forward in one way or another with the knowledge-based economy. There were differences in degree, obviously, but there wasn't anyone who was taking us away from that very exceptional and well-needed strategy.

Having said that, we are now in a position where pharmaceuticals would like to be included in that knowledge-based economy. I think most people, when they talk about it, are talking about the information tech people:



the software people and some others. But pharmaceuticals represent in the same way that type of opportunity. We are creating products out of knowledge, generated out of research and development. We would have to say to you that we represent for the government of Ontario a way of fulfilling two of their very largest objectives, one being the creation of jobs and generating a sustaining economy—about which we heard a little bit from the previous presenter—and also representing a significant introduction of innovation to the health care field. While we don't say that you can get something for nothing, let me say that from a substantial point of view, the research does develop, with a bit of an investment, a lot of advance with respect to being more efficient on the ground in providing better health care for all.

1100

Now, it's interesting for us that we are involved in a working group with the Ontario government, and that working group is basically setting a strategy for pharmaceutical development in Ontario. We've been invited by the Honourable Jim Wilson to put that strategy forward. We've discovered in that working group that Ontario could be one of the top five jurisdictions for investments in pharmaceutical research and development in the world, but not without some changes. I guess I would have to say that from my point of view if we could leverage some of our strengths, then we could make a major step forward. We would urge you to consider these points: (1) leverage Ontario's strengths in areas which I will cover later; and (2) level the regulatory playing field and then create a forum for continued dialogue to strengthen the partnership between the research community, government and the private sector.

For all of this, I think the strategy we'll develop over the next several weeks will permit us to achieve two of the government's priorities simultaneously.

If we look to see some of the initiatives of the government which set the base for us, there's a continued support for health care and reform, and I would be interested in getting into a debate on that, but perhaps we'd have to have another forum. Former health ministers tend to have lots of opinions that tend to take a long time to express. In a rather closed forum like this it wouldn't be possible.

We have a commitment to reducing the provincial deficit and debt, and then we have the leadership of Jim Wilson as Minister of Energy, Science and Technology who's asked us to develop the strategy. There have been a series of steps taken by the government which have created the background or the backdrop for continued investment in research and development.

I must just add one word here, and that is that while all of the items are listed there, the danger for us, economically and from a research point of view, is that the announcement of these programs are well made, they're well publicized, but the issue is not just making the announcement and having one or two or three years. When you're in the business of research and development, you have to have the commitment to sustain these in terms of

decades as opposed to in terms of two or three or five years. You have to be prepared to move on to multi-year allocations. I know that we usually talk in terms of five years, but five years is not that long in research and development terms. In fact, you're hearing from me this morning the same pitch that we make to the federal government, which has also put in a tremendous amount of research funding over the last two or three years. It's easy to make the first commitment; it's more difficult when you have to sustain it. In fact, if you look at our history recently, our companies now are putting up about 42% of the biomedical research in Canada. That compares to about twice as much as the government of Canada with the provincial authorities in this country.

I don't say that with any degree of pleasure but merely to point out that when everybody is cutting back on the provision of services and other things, research generally takes the first hit and it takes a significant hit. It takes it permanently because, unlike other areas where, like a switch on an electrical light, you can turn it on and turn it off and get the same brilliance, once you turn off research and development activities, you lose perhaps a whole generation of researchers and developers. You lose the types of dynamics which are generated by women and men who have exceptional credentials internationally. If I can urge anything, if I can get you to take anything back in terms of our presentation today, it will be to hold the line when times get tougher. We know that in our world of political funding things get tough from time to time.

I remember one person who was with me at the Ministry of Health. He was actually in the bureaucracy and quite by chance one evening when we were speaking about some other things, he opined to me that one of the biggest problems that occurred in the department of health was that in the 1970s they took out their research sector. That was not the basic scientific research group that I am speaking about here, but the people who understood how to get to the next trends, the people who understood how to think in advance. When you're in departments like health and everything is running around you so quickly and so densely, it is very helpful indeed to have those think-forward pieces, those things that make you consider what the prospects are if you take step (a) over step (b). So if I urge you to do one thing, it's to protect the research and development integrity of the province.

Having said that, let's build on what we have here. We've got very good credentials in basic research, but let's expand those. We've got very good credentials with respect to clinical trials, but let's expand those. And let's put a regulatory system in place which promotes those being done in Ontario.

We've done a number of things, as I said earlier, and you will see them listed, but the global changes in all areas are having a tremendous effect on whether or not we can attract investment here. Having said that, the pharmaceutical sector is even more affected by those global changes. Take a look at how there is concentration coming with research and development, and you will see

that there is a tremendous fight among the people in Europe and the people in the United States to build the critical mass to attract the women and men who do research and development. In fact, Canada becomes a side player; we end up having less than 2% of the worldwide private sector investment in pharmaceuticals. Some C\$56 billion is invested annually and we are getting just around \$1 billion of that. We should be at roughly 10% of the US level, if we do the 30 million to 300 million people extrapolation, but of course we are at about a quarter of that. Instead of having about \$4 billion of annual research, we have about \$1 billion. But we think we can do better and we think that Ontario, having taken some steps forward, is not yet at a position where it can critically expand and develop those resources in a way which will be permanent. I guess I would be exaggerating a little bit if I said that you can ever expect it to be permanent. You have to be continually working at these or you can lose the advantage.

I would raise just one country as an example of competition and how they met the competition from outside and actually are raising the bar even higher, and that's Ireland. I think many of you will probably have read the case studies there. They did well in manufacturing and now they're going after knowledge-based economies as well. They are very aggressive and they are a very good example of how you have to really make choices and then proceed to stay the course and work hard.

I think I'll move just really quickly toward the end of the presentation and deal a little bit with health care. The first message: you've got to do well in research and development, and Ontario can really leverage itself in research and development to increase its economic factors.

You can see on pages 14 and 15 of my presentation—and I hope they're the same ones on yours—a list of three areas in which Ontario should take some actions leveraging the strengths, and I've laid them out there, levelling the regulatory playing field both at the provincial and federal levels. I'll let you read those and you can actually take some time to ask me some questions.

It's important to know that the products we discover are helping our health system respond better, in my view, than it was designed to respond some 35 or 40 years ago. We are dealing with more diseases; we are finding cures for more problems that ended the lives of Canadians; we are promoting the ability to move toward even new innovative therapies which will extend life. You will see later in this presentation a couple of studies which show if you invest a dollar at one point when a man is 60, you will get another year of extended life for him, or if it's a dollar for a woman at age 60, you will get 2.3 years of extended life if you do it at the right time. There are all kinds of examples of how our medicines are beneficial.

What we need is the recognition that we have to have, in the context of a research and development economy, the ability to make the products which are discovered available to the women and men who need them in our society. Products discovered here are of no use, if they

are going to be curing diseases, if they're going to be helping people with Alzheimer's or with MS or with cancer, if they are precluded from use by the women and men who need them by some restrictive practices of listing.

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I will leave it to you to understand, I guess, that if we are going to have a very active research and development community, it will only be beneficial to have that if we are actually going to make use of the products—and we have a huge number of products which we've found in this country, by the way. Many of you will probably not know that the list is as extensive as it is. Everybody knows about insulin. Probably some of you will know about Singulair, which was discovered in labs in Montreal but was not approved for use in Canada until 28 other countries approved it for use. We've got a whole series of other examples: Premarin, which is used in women's health and which is run by Wyeth-Ayerst, which happens to be the company of our chairman, Aldo Baumgartner. All of these advantages are available for our economy and they are available for our health care system if we have practices which are effective and efficient in making these products, one, discoverable here, and two, listable here and fundable here for formularies and then ultimately available for use by the women and men who are suffering from diseases.

I have a list of four different areas which I think can assist the government of Ontario. I think we offer the advantage of being one of those, if I can put it in quotes, "clean" industries, part of the knowledge-based economy which is so important, I think, critically overall. Third, we offer sustaining help in our health care world in a way which probably none of us, and me in particular—I will speak for myself—could ever have expected some 15 or 17 years ago when we were wrestling with the problems that we confronted there.

Those are my remarks, Mr Chairman. I'd be pleased to answer questions if there are any.

**The Chair:** Thank you very much. We have four minutes per caucus, and I'll start with Mr Galt.

**Mr Doug Galt (Northumberland):** Thank you for your thoughtful presentation and interesting information.

I want to explore the costs in the Ontario drug formula. You'll be familiar with the spiralling costs, that in roughly 1985 we started out at something like \$400 million. By 1995, it was \$1.2 billion, and it's still climbing at double-digit figures, very quickly. It's not uncommon to hear of somebody getting a prescription for over \$400, an injection for \$500 once a month, and so on. Just a few years ago we thought a prescription of \$30 or \$40 was pretty big, but this is spiralling.

We see what's going on with the federal government. They started out with a so-called 50% they were going to match; we got down to an all-time low of 7% in Ontario. We're back up in the neighbourhood of 11% or so. I look at a socialist province like Saskatchewan, where you have to pay almost the first \$1,000 in drug costs before the province kicks in, and here we have people com-



plaining if they have to pay the \$2 or the prescription fee of \$6.11 on a \$400 prescription.

I'm coming around to the question of, where do we go? We heard the previous presenter tell us we're almost to the point of two ministers: the Minister of Finance and the Minister of Health. We're now up to 44% of the programmable costs in Ontario being health care. It's climbed from 38% since we took office. His suggestion of two ministers is not that far out; we're headed in that direction. It's a little extreme right now but it brings a point.

I'm coming around to, what do we do as a province? You're selling pharmaceuticals and promoting them, and I can understand that. Every once in a while I hear somebody say, "Well, if you take this particular prescription, it will save people from going to the hospital and we'll save umpteen dollars," but what are we going to do to get this mammoth thing under control as it relates to pharmaceutical costs?

**Mr Elston:** There are a couple of remarks I'd like to make. First of all I think the issue is, what do you do if you don't provide access for people to these medications? Our need is to respond to disease problems. There is more information in my little written piece here, but it costs upwards of \$750 million to find one successful molecule, and there has to be an ability to recoup that, so it's a very expensive process. Having said that, if you do not respond, the expenses are huge in terms of personal suffering, which we cannot quantify and, second, in time in beds, which we can quantify. I have to confess I haven't been reading my material as closely as I should perhaps, but in the old days it wasn't uncommon for a bed to cost us \$1,000 a day. When people no longer have to be there consuming a \$1,000-a-bed resource, then you can see the benefits of being in a position to be at home and dealing with the disease in that sense.

My view is and continues to be that our health care system is functioning as well as it is only because of the introduction of innovation. I put in that category not only the therapies which our companies produce in pharmaceuticals but also in terms of the innovative medical technologies which are also available—MRIs, CT scanners, lithotripters. All of those things are there. From my point of view, if we had not introduced any of those therapies we would be now bankrupt in our health care system. But in fact, the innovation, for which we're paying and we're paying good money, is permitting us to provide care to huge numbers of people in advance of those that we would have been producing care for before. We don't have huge wards. We still have to deal with the issue of how many hospital beds are right, but we're doing so many more things outside the hospital sector. We are, I think, positively ahead. I can give you a whole series of things; in fact, perhaps I should send my whole Value of Medicines brochure.

I cannot contend to you that it will get cheaper, but I can tell you that we are better, and we're better as a population. We're intervening more quickly. We don't do operations, generally speaking, for ulcers; we used to.

We have gone from having a single bypass operation as a huge event, to people having quads and even more—doing quadruple bypasses and doing valves and the whole thing. Those are done because we can do exceptional things with medication. I contend to you that it's still an issue, but I can't find a way of suggesting to you that you should make them unavailable so that it becomes cheaper.

In my discussions in my old days with Dr Dennis Psutka, a wonderful ADM at health in those days, we used to talk about this and where is it heading, because every time we were able to introduce new technology in the trauma centres, for instance, then we were into a position of having to deal with the rehabbing, to deal with the reintroduction of people into the communities and other things. At one stage, and I don't mean to have this sound cruel, but the cheapest system, if that's what people are looking for, is not to call the ambulance. That's just totally unacceptable, and not to intervene is unacceptable.

**The Chair:** Thank you very much, but we've run out of time and I have to go to Mr Kwinter.

**Mr Elston:** Just like the old days. I'm sorry, I ran the clock.

**Mr Kwinter:** As always, it's a pleasure to see you, Murray. I have a parochial question for you, first off, which is nothing to do with what's going on here. But I saw your publication, called *The Parliamentary Guide*, and you list the R&D member companies located in the 30 federal ridings across Canada and in Ontario. I have the head office of Aventis in York Centre. I don't see them listed in here.

**Mr Elston:** These are just our members. It's probably Aventis Pasteur, which is vaccines and a very well-known and very accomplished company. They are not a member of ours. Their senior, Aventis Pharmaceuticals, is a member of ours. It's a great company. Through you, asking them to join up, we'd be happy to have them, too.

**Mr Kwinter:** We heard from the previous presenter the fact that if health care costs are not curtailed it's going to take up the whole budget. There seems to be a real movement on the part of your industry and others to try to get some efficiency, so that you can get better for less or better for the same. One of the things that has always concerned me is the whole basis of getting listed on the formularies and the DQTC and the duplication. Pharmaceutical companies have to submit their products to the provinces. They then have to submit them to the federal government. Why would there not be one central agency for all of Canada where if it meets the Canadian requirement it meets every province's requirement? What is so special that the province has to make a determination independent of what the federal government is doing?

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**Mr Elston:** I think, in fairness, the result of the history of development of the drug programs is what has brought these various iterations together. I suspect that while safety and efficacy is the hallmark of Health Canada, once they give a notice of compliance which permits us

to go to market, most people still understand that as appropriate.

What the DQTC and other provincial organizations are doing is sort of an independent assessment of what it delivers in terms of value to the formulary. Unfortunately, our biggest efforts now in most provinces are designed to control costs and don't look at outcomes.

We're with you. We think that the best formulary for the benefit of patients and their practitioners, the doctors, is an open formulary, so that you have a menu of products available from which to select. But right now the interventions are more about controlling bottom line and preventing quick listings, so that there isn't a huge drain right away on resourcing.

I think that if the program is to exist as an effective one, they should reorient themselves to deal with health outcomes as opposed to the financial outcomes. While that may look like it flies in the presentation made by the previous people, it doesn't. We believe that if you get the right medication, the right therapy, the first time, then you will save yourself a lot of time, suffering and resources.

**Mr Christopherson:** Murray, thank you for your presentation. I have to tell you, I feel a lot safer with me asking you the questions than the way it used to be. But always an interesting presentation.

I want to ask you something related, but it may be unrelated enough that you can't respond. I'm more just fishing for information to get a sense of something. On the whole issue around genomics, one of the things that struck me was that of the two teams internationally that were racing to see who got to the finish line first, one of them was a partnership of two, three, maybe four public institutions—most of them I think universities, but there may have been a couple of others—and a private corporation. I just wondered if you know what that was, how it works.

I understand the benefit to that particular company would be they then could be first off the mark in terms of the transition from R&D into application. But given the fact that those universities still have public funding, how does all that wash out from the time that they strike a deal, and what is that arrangement, to the impact on patients receiving the benefit of that R&D and its application?

**Mr Elston:** First, I don't know the details of the arrangements, necessarily, but I know that for instance the Hospital for Sick Kids, through Lap-Chee Tsui, has just worked out a partnership where they will end up sharing some of their information about genomics as well with this organization.

But basically what happens—I think you're talking about Solara, presumably. They are actually making some returns on the way they package the material so that it becomes useful. Everybody knows you can have all kinds of materials and stats and otherwise, but having the data in usable forms is really what that is working toward. I think you will find that it probably makes it much more efficient to have it in usable form. You'll find people then making quicker advances with regard to

discoveries. So I think that's ultimately where it will end up.

It probably makes a shortcut, which will save a huge number of years for some organizations. But at the end of the day, David, you'll probably still find out that it will still produce expensive and tedious research for the women and men who have to make use of the data. I think it will ultimately shorten it, but it will still be an expensive experience for them. I presume that there will be some benefits moving to each of the university players, but I don't know the exact details.

**Mr Christopherson:** This is somewhat related but more just my personal interest. The kind of pharmaceutical research that's going on at the international space station, what are they doing there and what are they trying to achieve that they don't think they can do here? Again, who is paying for that and are there partnerships there? I'm not asking for an expert answer, Murray, but can you give me a sense of that?

**Mr Elston:** No, I can't give you an exact sense, but I do know that some of the materials which are being experimented with are being experimented with in zero gravity, so that you find that the crystals are developing differently from the way they might be able to do them in labs here. It would be extensively different from the type of work that would be done here, merely because of its location.

I should say to you, though—and perhaps I can do this through you, Mr Chair—we would be extremely happy if we could put together for a group of the legislators a visit to our research centres in the Toronto area, for instance. While we have had and will have another pharma-day, those days are not always amenable to everybody. But if you would like, when your schedules permit, please contact us, or contact Zenek or myself, whatever, and we'll make arrangements to see the very sophisticated stuff that goes on.

As you know, history and law don't permit you to get into the type of stuff these science people do. I'll tell you, I'm overwhelmed by the complexity of women and men who sit at these stations. And it's not just chemists any more; it's physicists and math majors, it's the person who does software, it's IT. It's a partnership that is cutting right across the whole fabric of our research world. So it's a tremendous opportunity. If you would like to take advantage of it, please contact us and we'll take you for a little trip.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

A couple of quick announcements. I'd like to remind the members that we have to check out by 12. Secondly, lunch will be served in the dining room, if you so desire. We have made reservations.

#### CANADIAN ADVANCED TECHNOLOGY ALLIANCE

**The Chair:** Our next presentation this morning is from the Canadian Advanced Technology Alliance. Could you please come forward and state your name for



the record. On behalf of the committee, I would like to welcome you. You have 30 minutes for your presentation.

**Mr David Paterson:** Good morning, ladies and gentlemen. My name is David Paterson. I'm the executive director, Ottawa, of the Canadian Advanced Technology Alliance. My primary role is policy analysis and advocacy, which is what brings me here today.

The Canadian Advanced Technology Alliance is the association which represents the Canadian high-tech industry. We have 600 member companies—247 of them in Ontario—and another 1,500 companies associated with us because they belong to associations which have affiliations of various sorts with CATA. Most of our members are in the information and communications technology industry, but we also have biotech, aerospace and advanced manufacturing companies. The big companies, the giants of the industry, are all members, but the vast majority of our members, I would say over 90%, are SMEs with sales of less than \$100 million a year. We have almost no members who don't export. We have almost no members who don't perform R&D. This is the leading-edge, globally competitive Canadian high-tech industry that we're speaking of here.

It's not a secret that the new economy, the knowledge-based economy, is the key to growth in Ontario and in Canada. Everyone knows that the only really important raw material of the new economy is people: human resources, people and their skills. The other critical resource is money. But one of the things our members have found is that a good business plan backed by a good management team can always find money. It will be a little more difficult this year than it was last, of course, but money will be found for the good companies.

When we poll our members, they tell us that human resources are their biggest problem. The shortage of the talented people they need is the one issue, the one problem that can prevent them from growing in the way they would like to, and it will handicap them in the global competitive environment where they all operate.

Last summer, the government reported that there were 50,000 vacant jobs in the high-tech industry in Canada. We believe that was rather an underestimate. One of the main issues that faces our members is that this is not a local problem; it's a global problem. In the United States they believe that the shortage of information technology workers is over 1.2 million. The shortage is almost exactly the same size in the European Economic Community. Even India, which was once considered to be a place where information technology workers, engineers and programmers were available in abundance, is now suffering shortages in some of the fastest-growing specialties. They cannot do all the work they want to do.

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There are three sources of the human resources the industry needs: the current workforce, immigration and Canadian schools. Our members tell us that personal income taxes are their number one government issue, because taxes are a critical matter both for present em-

ployees and potential immigrants. For several years we have pressed governments hard to reduce income and capital gains taxes to competitive levels, which will both reduce the brain drain and attract new immigrants. We finally succeeded at the federal level with the October mini-budget, which took a major step in that direction. We will continue to press for further reductions, however, principally because the target keeps shifting. President Bush has introduced legislation that will reduce US taxes by no less than \$1.6 trillion. That will put us back at a major disadvantage.

The government of Ontario—I'm pleased to compliment you—has set an outstanding example for other governments in the field of tax reduction. Personal income taxes have been reduced substantially in recent years. Of particular interest to the high-tech industry, employee stock options have been accorded better treatment at both the personal and corporate tax levels. We urge you to continue to pursue tax reductions to assist the new economy in its pursuit of the talented people who are essential to success and growth.

There is one particular Ontario personal tax matter that we feel should be done away with in the next budget, and that is the Ontario surtax. It was established to fight the deficit, which is now gone. It strikes the highly skilled, higher-income people on whom our members depend for success. It's all very well to speak of taxing the rich, but this tax comes into effect at a level where it actually hits new grads in their first job and young couples who are trying to save for their first house. It is the sort of disincentive to working in Ontario that should be done away with immediately.

At the corporate level there are three taxes which particularly concern our members. The first is the Ontario capital tax, a flat tax which is collected whether a business is profitable or not. It is a strong disincentive to investing in Ontario, whether to expand an existing business or establish a new one. There are many places just over the border, for example, which have avoided capital taxes for exactly that reason. This is a tax where the phrase, "Level the playing field," is obviously apropos.

The second problem at the moment is the clash between Ontario and the federal government over the Ontario super-allowance and the federal SR&ED tax credits, about the federal clawback of benefits that was introduced in the February 28 budget last year. The changes have the effect of moving much of the allowance from the hands of those carrying out R&D in Ontario into the hands of the federal government. While we acknowledge that the problem was created by the federal government, industry has made a proposal to the Ontario Ministry of Finance which would essentially solve the problem, preserving most of the benefits at no cost to the government. A quick resolution is desirable. Maintaining the integrity of the super-allowance will be an important consideration to our members when making decisions about current and future R&D investments in Ontario.

The last tax problem is property taxes, particularly as they apply to software companies. Some of them have

begun to report that they have been classified as industrial activities for property tax purposes and not commercial, where they belong. The taxes are roughly double in that case. Software companies are not industrial. They don't do any manufacturing at all. Even in cases where they distribute software on CDs in boxes with accompanying manuals and all that sort of thing, they do none of that production internally. They contract it all out to specialists in the field.

Last year, CATA took essentially the same issue before the Workplace Safety and Insurance Board, because they had begun in a number of cases to assign software product firms into the very highly rated industrial categories, the manufacturing categories. We were able to persuade them that this was not appropriate, that in fact the differences in the business are so substantial that there was actually no need for software companies to be compulsory registrants under the act.

The second issue of greatest concern to our members after the question of personal taxation is education. Ipsos-Reid just released a survey which we had sponsored, which reports that a majority of Canadians recommend that high-tech leaders put education first on their list of issues, ahead of the tax matter. Based on on-line interviews with over 1,000 Internet users, the issues of tax reform, environmental impact of new industries and social accountability of businesses were all well behind the education issue, which 56% felt was the number one issue that should be pursued.

Education is not a new issue with CATA. In 1998 we launched our Double the Pipeline initiative aimed at doubling enrolment in computer sciences and selected electrical engineering fields in Ontario universities. The government responded promptly with its access to opportunities program, initially funded at \$150 million and subsequently raised to \$223 million. That program is regarded as being highly successful by everyone involved: the government, the universities and the high-tech industry. It's been so successful that we're in the process of launching it in British Columbia, where there are problems in enrolment in the universities.

Technical skills are not the only need. When Industry Canada first began working with the software industry in 1987, we felt that the shortage of programmers would be the number one human resources issue in the industry. We found out almost immediately that that was not the case, that it was more difficult to find good marketing and salespeople than it was to find programmers. That's still true. If you corner one of the CEOs who serve on our board of directors with the question, they'll admit that it's still the case, that marketers are harder to find than technical people.

The high-tech industry is not the only one which is suffering from the lack of educated employees. This is a universal issue now. As the baby boomers approach retirement, it's clear that replacing them is going to be an extraordinarily difficult problem. It's an enormous problem in all of the professions and in the skilled trades. Steps must be taken now to expand enrolment in apprenticeship programs, in colleges and in universities to meet

this need or the negative effect on the Ontario economy is going to be very severe.

The federal government has committed funds to expanding university education in the areas that fall within its jurisdiction. Ontario has taken significant steps with the SuperBuild financing, the \$1.6 billion which is going to go into expanding capacity in the Ontario college and university system by 73,000 by 2004.

The issue that remains unresolved, however, is the operating funds which are essential to the universities if they're going to be able to go out and recruit the staff they need in what is now another globally competitive environment, where all the universities in the world are faced with essentially the same problem of replenishing their staff.

It's obvious that education pays well; there are plentiful statistics to prove it. Strictly in the jobs market, for example, from 1990 to 1999 employment for Canadians with post-secondary education rose by 2.25 million. For those with a high-school education it only rose slightly over 100,000. For those who failed to complete high school, the actual number of jobs available dropped by almost one million. The situation hasn't changed today. There has recently been publicity here in Ottawa about layoffs by high-tech firms. The people who were laid off were contract employees on the factory floor. We know, because our members are telling us this all the time, that they are still hotly pursuing the high-quality engineers, the programmers, the marketing staff they need to grow and expand and compete.

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The educated obviously also earn a great deal more. The best figures we have are from the 1996 census, which makes you wonder how far the knowledge economy has expanded in the statistical world, but that's another issue. People with university degrees had an average employment income of \$42,000; people with high school diplomas made only \$22,000; and those who didn't get that far earned slightly less than \$20,000. So the return on a university education is extraordinary. It is extraordinary both for the citizens who have pursued education and for the governments which have substantially funded that education, because it's rather obvious that the government of Ontario is going to gain a lot more in tax income from someone with a university education than they will from someone who is just stumbling along trying to get by on the minimum wage.

From the perspective of the high-tech industry, Ontario needs to move quickly on the two issues of reducing taxes, personal taxes in particular, and continuing to increase support for education. If it does so, CATA members in the high-tech industry, and all Ontario businesses, will be in a strong position to compete in the global economy and to ensure continued growth and prosperity for Ontario.

**The Chair:** Thank you very much. We have three minutes per caucus. I'll start with Mr Patten.

**Mr Patten:** Thank you, David. It's good to see you. I was at one of your educational sessions, which I found



most illuminating. I have only a short time here and I'm interested in your comments related to education. In some of my discussions with (1) some of your members and (2) some of the people at the university, college and even at secondary school level, there is a big worry. The worry is that a high school graduate today is not particularly well skilled for your industry; perhaps retail, maybe, which is minimum wage, more or less, and not too much else. But at our college and university level in Ontario, if we're not number 10, we're at number 9; we're one of the poorest per-student-supported systems in Canada, and perhaps even in North America. In light of the indications of your members showing that this is even a higher priority—I was surprised to see that—than the taxation issue, that it was recognized as the ultimate resource, the human resource and their skills, can you comment on that? What is your advice to the Ontario government in light of the position we are in now and where we must go, making the assumption, perhaps, that Ontario would like to see us being a world leader in the technology field?

**Mr Paterson:** It's our view that this is a critical issue. We recognize that the SuperBuild fund and the money that has been made available for the capital costs of expansion to meet the expected growth in enrolment in colleges and universities is a major step. That's a large piece of money. It has been warmly welcomed by the universities. But you cannot do it all with capital spending. You must have the right operating budgets to support that. Tuition fees have made, I am almost certain, the only contribution to increased operating budgets in the Ontario universities over the past few years. But they are now at levels where you can't say that the students are not contributing substantially to their education. There need to be more operating funds made available to the universities and the colleges if they're going to be able to meet the demand to provide a quality education, and quality is the critical issue. It's not a question of bums in seats; it's a question of minds that need to be developed.

**Mr Christopherson:** Thank you for your presentation. You raised an issue that we're finding—actually I've been surprised during the course of the hearings that it's widespread across all sectors of our economy, the lack of skilled workers—has virtually come up from every end, from the construction end of things all the way through to the high-tech end and everything in between.

You just placed your emphasis in response to Richard's comments on quality education, recognizing then that quality education is going to cost. I've been referencing during our hearing the TD Bank presentation by their chief economist, pointing out two separate charts on where we are not spending the same money on post-secondary education as our competitors internationally. We heard this morning the concerns in the Ottawa-Carleton area about the elementary and secondary school systems and their lack of funding. You also throughout the presentation talked about wanting to make changes to corporate taxes, capital taxes, personal income tax and property tax, all in the way of paying less, which is what

you're lobbying and advocating—and that's fine, that's why we're here.

Now, that leaves us with a huge problem. Even if the government surplus held, and I have my doubts now as to whether or not by the time the transfer payments come in from the federal government based on the revenue and GDP of the country—and the province as it relates to us—that's going to hold, but even if it did, the amount of money we need to bring our education system back to par, I think to the level you want, would surpass the surplus. We're talking in the billions of dollars. Can you help us get through the notion of trying to either do both or which one is the higher priority and in the best long-term financial interests of Ontarians?

**Mr Paterson:** Our members believe that you can continue to pursue growth by applying both strategies: lower taxes and greater spending on education. It's not going to be easy—it's never easy—but the fact remains that Canada has to live in a competitive environment, and if the tax structure here is grossly out of line with our next door neighbour, it's going to influence people's behaviour. They just pack up and go. On the immigration side, certainly we have a very good record, but the fact remains that there are still lots of high-quality people whom we could get with a more competitive environment, who are going to the United States.

**Mr Christopherson:** You mention "environment." They'll probably want an environment where they can breathe the air and eat the food that we grow and drink the water, and that costs money.

**The Chair:** Thank you very much, Mr Christopherson. You've run out of time.

**Mrs Molinari:** Thank you very much for your presentation. It's interesting, some of the recurring themes of the need for post-secondary education to recognize the needs of the century we're moving into and to adapt to some of the innovative ways. Certainly as a government we recognize that and are making some initiatives to move in that direction. You've named one of them, the access to opportunities program that we've initiated. There are a number of others. Just to state a few: the \$750-million Ontario Innovation Trust is helping to fund labs, high-tech equipment and other research infrastructure at universities, hospitals and colleges; and the Ontario new technology tax incentive that provides companies 100% income tax deduction on the cost of eligible intellectual property acquired for use in Ontario. Those are just some of the innovative ways that we're trying to address the issue.

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The issue of need for people in the high-tech area—and you've also mentioned the shortage of carpenters, masons and machinists—we've heard repeatedly, over and over again. A number are retiring in those fields and we need to replace that workforce. Part of the difficulty is finding students who are interested in entering those fields as well, because as a government we can do as much as we can to provide the spaces and provide the support, but you also need students who are interested in getting into those fields.

I have two questions. One is, what would you suggest that we could do to encourage students to enter those fields? The other is, as a government we've just passed Bill 132, which will allow for private universities and colleges to grant applied degrees. We think this is another way to open up more opportunities for students. I would like to know your views on those two points.

Before I give the floor to you, I want to clarify some of the comments made by my Liberal colleague Mr Paten, that the money we're investing in post-secondary education—I think he referred to a number as us being the ninth, but I guess it depends on what you do with numbers and where you put them. We're actually in the top five, when you take into account some of the investments that we've made for student assistance in a number of areas, and the tuition fees have been restored so the student pays one third of the cost of the actual tuition fee. Those are a number of areas that we've moved in to address some of the concerns.

If you could take a few minutes to answer those questions for me, as to how we could encourage more students and your thoughts on private universities and granting of applied degrees for colleges.

**Mr Paterson:** The difficulty in attracting students into the trades, into the apprenticeship programs and that sort of thing, I think is related to the perception that these are not good, interesting, well-paying jobs—that's what it amounts to. It's glamorous to be an engineer or a programmer; it's not glamorous to be a mason. I happen to know somebody who is just finishing up his apprenticeship to be a mason, and he is someone who had tried a number of different things before. He's still not sure how he became interested, but he has a lineup of people waiting to hire him because there is a shortage of masons. He is going to make money like it's going out of style, and he's going to be doing something that he really enjoys.

How do you get messages of that nature into the school system? I am not sure, but I do know that quite apart from the people our industry needs, there are huge opportunities out there in many of the trades. Somehow or other, I guess they just have to be glamourized and young people have to understand better what the opportunities are. They may be bored with sitting in a high school classroom, but that doesn't mean they should just pack up and go and take the first job that comes along. There are other opportunities out there, for which further education is required, that are going to be extremely remunerative.

**The Chair:** On behalf of the committee, thank you very much for your interesting presentation this morning.

**Mr Paterson:** It was a pleasure to be here. If anyone has any questions, by all means give me a call or send us an e-mail. We'll be glad to oblige.

**The Chair:** Thank you. Unless there are any questions from members, the committee will adjourn until 1 o'clock.

We are now adjourned.

*The committee recessed from 1154 to 1258.*

## OTTAWA-CARLETON CHILD POVERTY ACTION GROUP

**The Chair:** I'd like to bring the meeting to order. Our first presenters this afternoon are representatives from the Ottawa-Carleton Child Poverty Action Group. Could you come forward and state your name for the record, please. On behalf of the committee, welcome. You have 30 minutes for your presentation.

**Ms Christina Marchant:** My name is Christina Marchant.

**Mr James Kuhns:** My name is James Kuhns.

**Ms Lynn Sherwood:** My name is Lynn Sherwood.

Christina is just getting the overheads sorted out here.

We're representing the Ottawa-Carleton Child Poverty Action Group. I just want to say a few things. The Toronto Child Poverty Action Group made a presentation to you last week, and we don't want to bore you silly by saying the same things over again. So some parts of the statistics in here we're not going to repeat; we'll go on with other things so it'll be more useful to you that way, because there's a lot to talk about.

Ottawa-Carleton Child Poverty Action Group focuses on the children in Ottawa. Last year, the Social Planning Council of Ottawa-Carleton did a poverty report card on children which estimates that 23% of the children in the city are living under the low-income cut-off line established by Statistics Canada; 12% of our families are living on less than \$20,000 a year. A substantial proportion of the citizens of this city have been in poverty for generations and have known no other form of life.

Last week, the Fraser Institute rated the economy of Ontario as the third strongest in North America. Between 1989 and 1997, at the same time, the rate of child poverty in Ontario increased 118%.

In this millennium, we can e-mail people in Thailand, a place my grandfather never knew existed, just as easily as we can phone a takeout pizza outfit down the street. We can send people to orbit the earth in a space station and we're unravelling the histories of the human genome. But we seem to take for granted that it's inevitable that one fifth of our children are going to grow up in poverty. We're saying that we don't think the status quo is any longer acceptable or necessary in this society. We think we can eradicate child poverty if we have the will to do it.

A hundred years ago, it was accepted that children would die from smallpox, scarlet fever, whooping cough, polio, diarrhea, and it was thought to be God's will, that there was nothing anyone could do about it: "It's too bad, but that's the way it is." We know that isn't the way it really was, that these diseases were the result of poor sanitation, and we've eliminated these diseases as killers of our children.

Our acceptance of high poverty rates among children in this day and age means the impoverishment of everybody in Ontario. According to all research, poor children have more health problems and less success in primary school. They drop out of high school earlier. They're



more likely to be clients of the child welfare and juvenile justice systems. As adults, they're likely not to live as long as the rest of us.

We're talking about jeopardizing 20% of our population, of cutting their lives short. If this was an epidemic of a physical disease, we'd be up in arms about it. We're permitting conditions of life that deny 20% of our children the right to full participation in our society and we're denying the rest of us the opportunity of discovering the potential of these children, because they never get a chance to realize their own potential.

Just as roads and bridges and sewers represent our physical infrastructure and must be maintained and developed on an ongoing basis, our children are our social infrastructure. We can't afford to let 20% of our children live in these conditions.

In this information age, there's less and less need for low-paid, low-skilled, casual workers. We need educated, self-motivated, socially sophisticated workers in our new economy. We don't get that if our children are growing up poorly nourished, poorly housed, poorly educated, alienated from the community because they're moving around so much they don't have a community, and angry because they can see very clearly what the rest of us have and they don't. Think of this as squandering our social capital: our children.

We're going to detail a few of the issues that we think you folks can look at in terms of planning for the future economy of this province.

We think you could begin to implement measures which would cleanse Ontario of the social disease of child poverty, just as we cleansed our cities of the infectious diseases which killed our children 100 years ago. I'm turning over to James for the next session.

**Mr Kuhns:** Thank you, Lynn. I'd like to talk about the income of families with children on social assistance. The Social Planning Council's report, *The Challenges Our Children Face*, states, "For the community to receive a passing grade, every family ... needs an income which is adequate to meet the needs of their family." In Ottawa and indeed in Ontario this is not happening. Children often are the unintended casualties of the three income-related areas we wish to speak to.

First, the social assistance cuts: in October 1995, the provincial government cut the maximum amount of social assistance benefits by 21.6%. These benefits have not been raised since. Taking inflation into account, the total cuts are now in the 25% to 30% range. The welfare cuts have resulted in people being forced to live in poor and inadequate housing, having to move frequently or become homeless, suffering from poor and deteriorating health, largely due to poor nutrition, and not being able to afford decent work clothes, transportation and telephone services.

The cuts have placed a great burden on the poor and jeopardized their ability to move out of poverty and into work, which is something we all want.

Tax cuts by the provincial government will be of little or no benefit to low-income families and will take away money from the treasury that otherwise could be spent on

programs for poor families and children. What's needed is government action to ensure that the poor have enough income to participate fully in society.

Moving on to the national child benefit supplement, this program came into effect in 1997 and replaced the family allowance benefit, which was available to everyone. The framework allowed provinces to claw back the supplement from families on social assistance and to reinvest that money in programs for children. The child benefit supplement, with its current clawback option, is discriminatory. Families on welfare have the supplement deducted from their social assistance cheque, leaving them no better off than they were before. We believe that the money should be left in the hands of social assistance recipients, who are best able to decide how the money should be spent.

In May 2000, Manitoba became the third province to end the clawback because of what they perceived to be the growing depth of child poverty. We recommend the Ontario government follow Manitoba's recent lead and repeal the clawback.

I have a few points on the minimum wage. It's been at \$6.85 since 1995. Originally it was conceived to be a living wage, but over the past few decades it has consistently fallen in real terms, leaving the roughly 500,000 Ontario citizens in the minimum wage jobs with far less purchasing power. We believe that an Ontario strategy to reduce child poverty must include jobs with decent wages to enable parents to provide adequately for their children. To take inflation into account since 1995, we would recommend that the minimum wage be raised to \$7.50 an hour.

Lastly, I'd like to talk about one of the realities that low-income families face, and that is food insecurity. Despite a buoyant economy in Ontario in the last few years, food bank usage continues to grow in Ontario. According to the Canadian Association of Food Banks' *Hunger 2000* report, in March 2000, 283,000 people were forced to use food banks to feed themselves and their families. Of that number, 42% were children.

There's also been another noticeable trend emerging: more of the working poor need to use food banks to get by. In Ottawa, the main food bank provides assistance to over 32,000 people each month; 44% are children. In the past year, the number of agencies that the Ottawa Food Bank serves has grown from 70 to 83, and currently another 15 social service agencies have applications before the Ottawa Food Bank, including many school breakfast programs.

The situation of food bank users with babies is critical in Ottawa as well. Recently the Ottawa Food Bank began purchasing diapers, formula and baby cereal to ensure the parents were able to provide adequately for their children. But charitable handouts are not a permanent solution to the problem. What is needed is more income in the hands of the poor.

Thank you, and now Christina will talk about housing.

**Ms Marchant:** Hello. I'm not going to read everything that's in our brief, because it's in front of your eyes, but I just want to highlight a couple of things for you.

First of all, my understanding is that the Conservative government over the last year has viewed a solution to housing as being removing the barriers that prevent the private sector from building, so that more housing can be built and more building starts can be encouraged. We believe that Ontario's given the strategy several years to show success and that it's not working very well. Some evidence that it's not working: CMHC estimates show that the rental prices in Ottawa have increased by about 12% since November of last year; 41% of renters in Ottawa pay more than 30% of their income on housing, on rent, and in fact many families who leave social assistance rosters and move on to paid jobs usually are moving into paid jobs that are at minimum wage and they can't afford to pay their rent, for example.

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In addition to rental prices rising, rental housing is in very short supply. Our Ottawa rental vacancy rate is somewhere between 0.1% and 0.2%, and the housing availability is so limited that landlords are at the discretion to screen out tenants whose incomes may not be high enough to give them assurance that the rent will be paid every month. We've heard anecdotal reports that vacancy decontrol is allowing landlords to set the rent at whatever the market may bear and sometimes giving landlords the incentive to evict tenants for reasons what may not be reasonable reasons.

We're also hearing that the tight market is resulting in bidding wars between prospective tenants, and that's meaning in the main that only people with higher incomes can afford housing in our region. That's causing a problem for poor families and the poor children who live in those families.

In the past people who couldn't afford the market rents could apply for social housing, but both provincial and federal governments, as you know, have cancelled any new housing starts and responsibility for social housing has been downloaded to municipalities without any additional monies for that. That's making the problem worse. Again, this is probably not news to you, but we feel it's important to tell you.

In Ottawa today there are about 15,000 families on a waiting list for subsidized housing, and the wait takes between five and seven years to get that housing. So in our opinion there is insufficient housing for the need and we believe that it's our government's responsibility, and your responsibility as a finance committee, to help the situation by putting new money into permanent affordable housing for Ontarians.

I also wanted to draw attention to the current strategy for getting people off welfare and into paid employment. It's helping to create a whole new class of homeless people in our region. As has already been mentioned, many of the new jobs being created are in the service sector and pay at or close to minimum wage. Even full-time work at minimum wage isn't enough to help people pay market rent, provide for food and other essentials of life, and transport themselves to work. A single mother working at minimum wage would earn about \$1,100 a

month and even if she and her child lived in a one-bedroom apartment she would only have \$300 to cover everything after she had paid her rent. Obviously that causes problems.

I also wanted to draw attention to the housing crisis. It's exacerbated by the low shelter allowance on Ontario Works. The maximum limit, as James said, hasn't changed since 1995. We believe that in order to support poor children that shelter allowance on Ontario Works needs to be increased commensurate with inflation and the rising costs.

I also want to draw your attention to the need for other supports. Besides housing supports, poor families need other supports to become self-sufficient as well. We believe that a strategy to address child poverty that relies only on economic factors without a strategy that also focuses on other services, housing and so on, won't be as successful. We think the economic recovery that happened during the second half of the 1990s didn't bring about widespread benefits and prosperity, and with the expected downturn the situation is likely to become worse for the poorer people in our province.

From that perspective, we believe the changes that were made to STEP—that's the supports to employment program—back in October 2000 were punitive and are unlikely to meet your government's stated goal of moving people from welfare to work. The changes reduce the amount of money that people can earn and keep while on social assistance. We think they're going to impose punishingly high marginal tax rates on people who increase their earnings, rather than increasing the incentive to move off social assistance and get full-time employment. We think the changes actually impose penalties for trying to move off and cause more problems than solutions for the people who are living in poverty. So, obviously, one of our recommendations is for you to repeal the changes to the STEP program and increase the encouragement of people to make additional income while they're on social assistance.

One final comment from me: we'd like to comment about the \$800 million in funds that are coming to Ontario as part of the national children's agenda. Given the current state of Ontario's children, as Lynn described it, it's essential that those new monies be put directly into services for children in our province rather than being put into the general Ontario coffers. So we encourage you to pay attention to that guideline and, as I said, put the funds directly into services for children.

Now I'll turn things back over to Lynn to talk about child care and education.

**Ms Sherwood:** We think that child care and education are very vitally important to decreasing poverty among children in Ontario. School is the first experience a child has of the society outside their own family. If we want to get kids out of the poverty cycle, get families out of the poverty cycle, they ought to think of school as being a good place to be, and the wider society, therefore, as being a nice place, not something to be afraid of. Most of our poor families are afraid to be outside their families



and their own community because everything they experience is so punitive. You start out with the schools. You make the schools a good place to be and you make child care a good place to be, and children are going to have motivation, are going to have an image in their minds of something other than the life their parents have known. This is where you start; this is really important.

As you can see from these charts, quality, accessible child care is needed and is almost impossible for people to get at this stage in the game. There is a lot of documentation on the need for child care and the costs of child care. We have it all written down here. I can recite it to you if you want. I think the folks last Tuesday did the same thing. The evidence is there; it's statistical.

Right now, we have the highest fees in Canada for full-time regulated child care and people can't afford it. They can't get into it. In Ottawa, the average cost for licensed preschool daycare is \$637 a month. Licensed daycare can cost \$1,141 for infants and toddlers. Subsidized daycare is the only option for low- to medium-income families and there is not enough subsidized daycare, let alone subsidized good, flexible, accessible daycare.

I am a social worker. I work with people. Every day in my office I have people, a lot them young moms because I work with families, coming in and telling me their stories. I don't know what to do. I have one young mother who is trying to provide French daycare for her two preschool children. She came from an abusive situation. She is working full-time, mind you, as a clerk with the federal government. She is trying to keep her job. She is trying to raise her kids. She is trying to deal with the trauma surrounding leaving her guy, who was awful. We had to try and keep her in subsidized daycare.

The only house she could purchase was in Bells Corners and the only daycare we could find was in Vanier. That meant she was travelling 30 to 40 kilometres one way with two babies every morning to take them to their daycare centre in Vanier, before she went back across town to her job with the federal government. Then she had to go back and get them at night. You guys have seen what the weather is like here in Ottawa. This woman is driving a 10-year-old car. She is driving 50 kilometres a day, one way, with two babies in the back seat. She had to get up at 5:30 in the morning. Do you know what that does to little kids? It was awful.

The mental health problems that result from this kind of daycare crisis are extraordinary, and the cost to the children is huge. We shouldn't be doing this to little kids. These kids were up at 5:30 in the morning and they didn't get home until 6:30 at night. They spent three hours a day travelling back across the city on the Queensway in foul weather in a decrepit car. The mother was always late for work and she nearly lost her job because of the daycare issue. This isn't an uncommon thing. This is standard for a lot of single parents in our community.

Another situation I dealt with was I had a mom come in who's having behaviour problems with her four-year-old. I find out she is working the early shift at Tim

Hortons. She has to get her children up at 4:30 in the morning, take them to the neighbour where they stay until their before-school daycare program is open. Then they go to the before-school daycare program, they go to school, they go to the after-school daycare program, and she picks them up and takes them home. I'll bet she has a really nutritious meal on the table after a day like that. This is the life of a four-year-old child, and we wonder why he's hard to get along with, why he's aggressive and acting out.

These children have no childhood. It's not right and we should stop it. We should give them proper care. We should give them a chance to stay at the same place for a consistent period of time and not be trucked all over the city in all kinds of weather at weird hours by exhausted, stressed-out parents who are trying to make a living when they can't. We shouldn't be doing this. We need quality, affordable subsidized daycare that's accessible to all our children.

Another situation that I deal with regularly is this business—you could solve this one in this budget really easily—of the RRSP, that you won't let people have subsidized daycare if they have an RRSP. A lot of people don't live in families with two young parents who are both working, and working in jobs where they have company benefits. I know a woman who is 50 years old and is raising her grandchild. She's working five days a week as a clerical assistant and two days a week as a nurse's aide at an old people's home in order to support this child. She has the child in subsidized daycare. She has a private RRSP because neither of the jobs where she's working has a pension plan. She had to cash in her RRSP in order to provide care for her grandchild. What security does she have in her old age? None.

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These kinds of situations are not uncommon. There are lots of stories like this. It's a simple thing to fix, and I really wish you'd do it. It's not right. I understand that you're worried about people abusing the system, but if people are the kind of people who are going to abuse the system, they're going to figure out some way to do it anyway. The ones who get used and abused are these folks who are playing by the rules, and they're really getting screwed over, to be quite frank. It's not right. As a social worker in practice, what can I do to help them? Nothing. How can I fix this? I can't. It needs motivation from you folks who have the power to try to fix some of these situations that are causing a lot of pain for a lot of our people.

I want to talk a little bit about education. Daycare might be the first step for a child entering the larger world, but education is the second one, and right now the education system in Ottawa is a huge mess. It's pretty awful; it really is.

At CPAG, we've been trying for a year now to find out how the learning opportunity grants are being used at the Ottawa school board. We've sent several letters. We've had no response. These grants are supposed to be designated funds from the provincial government to local

school boards to provide special supports to schools in high-risk neighbourhoods. That's so these kids get school supplies, special outings, enriched programs, stuff like that. It's not happening. We believe these funds are being rolled into general revenues of the school boards so that they can increase the salaries of the teachers, because they are really worried about teachers going out on strike, as I'm sure you all are. The children in these communities are not getting their special outings. Parents are telling me they are having to buy school supplies. For somebody on an income of \$950 a month, having to go out and spend \$75 in September for school supplies for their child—and God help them if they have two children—is just huge. This means no food. These kinds of things are very serious. They are going on, and we're not doing anything about it.

We all hear about school breakfast programs, and I know you are partnering and trying to get local industry to support school breakfast programs—which they are not doing, by the way, but that's the way you want it. What happens to the mind of a child when she's sent off to the school breakfast program knowing her mother hasn't got any food at home for herself? The children get fed, but the parents starve. What does that do to a child and a family? What would it do to your children if they knew you couldn't eat, in order to give them food?

The institution of school councils means that the children in neighbourhoods where parents have enough energy, resources, sophistication and knowledge to organize themselves and to get things for the school get things. In disorganized neighbourhoods where people are fighting for survival, they don't get things. The schools are inferior; they are overcrowded. The teachers get fed up. An adversarial attitude toward the children inevitably develops between the teachers and the parents in these schools. As a social worker, I spend a lot of time trying to sort this one out. It's not possible. The teachers in these communities are exhausted and overstressed, and the special supports aren't there any more. School social workers have been cut back; school psychologists have been cut back; special services have been cut back. The only way to handle these children is to medicate them. So we drug them, and then when they're 15 we put them in jail for using drugs. It doesn't make a lot of sense to me.

We feel the situation for poor children in Ontario is deteriorating. We know it is; I know it is. I really would like you to listen to us and to pay attention to some of the things we're recommending. I'm not going to read these recommendations over. There are a lot of them; they are listed here.

I am going to say that we have not talked about a lot of other things that are going on. We're not talking about the increasing cost of utilities—natural gas, for example—without an increase in the money poor folks are getting or in the minimum wage. Where do they get the money to heat their houses?

We're not talking about the fact that the government directly deposits social assistance cheques, so people have to pay bank fees in order to get their money out of

the bank to spend it. They pay the same bank charges whether the cheque is \$20 or \$2,000. They have the same bank charges as we do. They pay a lot.

We're not going to talk about what user fees for recreational services mean for kids on a snowy Sunday afternoon in February.

What we are saying is that as Ernie Eves, the finance minister of Ontario, said in the year 2000 budget, "Of all the investments we make today ... none is more important for the future of our province than those we make in our children."

I urge you to consider what we're saying. Think about it, and incorporate in your budget planning some measures to relieve this crisis of poverty among our children.

**The Chair:** We have run out of time, so there will be no time for questions. On behalf of the committee, thank you very much for your presentation this afternoon.

#### OTTAWA ECONOMIC DEVELOPMENT CORP

**The Chair:** Our next presentation is from the Ottawa Economic Development Corp. Could the presenter or presenters come forward and state your names for the record, please. On behalf of the committee, welcome. You have a half-hour for presentation, and what you don't use within that half-hour we'll divvy up among the three parties for questions. You may proceed.

**Mr Chris Henderson:** Thank you very much, Mr Chairman. I certainly will not take a half-hour for the presentation. I can assure you of that. We'll be about 10 to 12 minutes.

My name is Chris Henderson. I'm the chief executive officer of a company called the Delphi Group, which works in the high-tech industry, particularly in the environmental technologies area. It's also my privilege to serve as vice-chair of the Ottawa Economic Development Corp, which is the voice of economic development in our community. We work very closely with other business organizations, like the Ottawa-Carleton Research Institute, the board of trade, now the Greater Ottawa Chamber of Commerce, and other organizations.

I would also like to introduce Mr Michael Darch, who is the interim president of our organization.

In particular, OED is a public-private partnership that acts as the voice of the exporting sector of Ottawa's economy. We're very focused on helping our companies export globally. One of the things I'll be sharing with you is some of the real focus we have on the US market. We're there to raise our international image and to attract knowledge workers, investments, companies and customers.

We also work to foster growth, improve efficiencies and encourage competitiveness, and we feel there must be a commitment to invest in leading technology sectors, those that are driving the prosperity of Ontario and Ottawa. I would note that the Ottawa of today is the Ontario of tomorrow. We feel we're a large part of the increasing drive to a knowledge economy in our prov-



ince, and I think that bodes well for the future economy in our province.

The 1990s saw the provincial government shift financial management strategies and significantly reduce Ontario's deficit. Frankly, this strategy has made our province more competitive. We have done extraordinarily well during these times, and today our economy is strong, diversified and poised for even better growth. Our growth has not been a surprise to outsiders, and it's not a surprise to us. We know what our strengths are, and we have built on them. We know what our engine is, the part of the machine that keeps us running smoothly. Without regular maintenance, care and investment, we will stall on the side of the road. In the new economy, it is skilled people and infrastructure that keep us moving forward.

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We are here today, Mr Chairman, to give the message to you and your colleagues that we, the businesses of Ottawa, expect all levels of government to work together to ensure the long-term sustainable success of our city to the benefit of the people who live here.

Ottawa's economy is much more diversified in 2001 than it has ever been in the past. We now boast, as you well know, a very strong technology industry, a growing tourism industry and a healthy federal government. Our unemployment rate is 5%, well below the Canadian average and the lowest in over 14 years. Our population in our new city of Ottawa has grown to 1.2 million people. We're a technological centre on par with any in North America, and we are competing at the highest levels. In fact, we have to compete at the highest levels, as I'll illustrate shortly.

We make this claim with confidence. There have been more than 26,000 advanced technology jobs created in Ottawa in the past two years, 50,000 since 1993. This translates to a 74% increase in high-tech jobs since 1993. By way of example, over the same period our competitors globally—San José had a 36% increase, Dallas and Austin both had 54% increases and Boston had only a 10% increase. We're catching up, and that's good news.

The number of technology companies located in our city has doubled from 500 to over 1,000 in seven years. As you well know, many of these companies are large and established, many are emerging and growing very fast and some hold new concept ideas that may break open high-technology markets in the future.

A true indicator of Ottawa's arrival on the mainstage is the fact that venture capital has grown from \$1.5 million early in the 1990s to \$1.3 billion last year. One of the continuing challenges we've had in OED is to estimate how much venture capital came to the city last year. We've had to revise our estimate virtually every two to three months. That's the kind of revision we like to make. We see this trend continuing. In fact, over that seven-year period, venture capital in the community increased by 88,000%. That's a ridiculous figure, but we came from a low figure to a very high figure. That represents over a quarter of Canada's venture capital in 2000, with less than 4% of our country's population.

That venture capital has come from many sources. It's come from local entrepreneurs, locally established companies, angel networks, high-net-worth individuals in our community and certainly from venture capital investors throughout Canada and the US and in some cases even Europe.

Compared to US cities, Ottawa's 1993 to 1999 growth of 88,000% compares to Austin's at 14,000%, Boston's at 1,400% and Atlanta's at 350%. The first three weeks of January this year saw more venture capital invested than in the entire year 1993.

Yesterday's economy was dependent on one industry in our community. In 1975, 35% of our labour force worked for the federal government. In 1995, federal downsizing turned our attention to the overnight appearance of the technology industry. In fact, it wasn't overnight; it had been building since the early 1970s.

As of this year, the technology sector has caught up to the government in terms of total number of employees in our community. The over 1,000 advanced-technology companies employ more than 79,000 people. Not only is the technology sector strong; it is also diversified. This leaves us much less vulnerable to hiccups in our economy than if it was concentrated in any one particular sector.

The advanced technology industry in Ottawa generates annual sales of C\$17 billion. Ninety per cent of these products are exported outside Canada. The strengthening of all these sectors will strengthen Ottawa's economy and in turn Ontario's economy.

The federal government, traditionally the only industry upon which Ottawa's workforce depended, has now been joined by our technology sector. As you can see, the federal government used to provide work for some 35% of the workforce. This has declined to 17%. In stark contrast, the growth of the technology sector has gone from only 3% to almost 18%. This marks a significant shift in who is doing what around town.

Some context of where we're looking to see our growth continue: for decision-makers—the people we sell our products to, the people who help bring talent here to Ottawa, the people who invest in our companies—there are six top indicators to get a city on to their field of vision. They see the first item of importance as strong clusters of companies. This is where we're really starting to stand out in areas like photonics, telecom and others. A skilled workforce: we seem to have a skilled workforce, but I can tell you every technology company in town, including mine, is continuing to look for more people. They look for access to points around North America and the world and a strong academic community, and we're enormously proud of the institutions in our community, with Algonquin College, the University of Carleton, Ottawa U and other training institutes. They look for leadership in research, and we've had a strong history, a strong pedigree of that, but we always have to keep innovating. We can't stand still or we'll lose that positioning. And they look for a high quality of life.

The qualities and features that make Ottawa competitive include a diverse technology industry and a highly

skilled workforce. We have leaders in research and innovation. Our quality of life is ranked superior to many places in the world. We have access to the federal government. We have an exceptionally affordable standard of living. And we're proud of our diverse cultures and languages.

In August 2000, the Ottawa Partnership, a co-operative effort between private and public agencies in Ottawa, tabled a report called *A New Economic Vision for Ottawa*. This report gave us a glimpse, for the first time, of our competitiveness as a global technology centre. The results have been taken a step further by our branding and marketing strategy, now nearing completion: branding and marketing to make our name, our products, our companies known throughout the world, particularly in the United States.

Each sector was examined individually and the main opportunities and challenges were identified. The reports show clearly that Ottawa must grab the attention of key US decision-makers; that's the litmus test of our success. This means we must partner with other leading-edge technology cities, and there is a set of US cities whose attributes are similar and complementary to Ottawa. You see those on the map beside us. They include San José, Austin and Dallas in Texas, Atlanta, Washington—the greater Washington area is a high-tech mecca—Raleigh-Durham and Boston. That's where we fly to every day. That's where we go on our sales missions. That's where we go looking for investors.

The better Ottawa's economy, the better Ontario's economy. The stronger our economy, the stronger the provincial economy.

The Conference Board of Canada predicts Ottawa will have the fastest-growing economy in Canada this year. We did that in 2000. Based on the estimates of new jobs in Ottawa over the last two years, the provincial government has received an additional \$250 million in revenue, and this additional revenue continues year after year, growing and building on itself, one of the real social upsidés of growth.

As well as we are doing, a community cannot take things for granted. Our prosperity and good fortune will not continue unless we continue to invest. We believe there are three potential threats we must answer together, and that's why we're delighted you're here in Ottawa today. Each must be addressed if we're to continue to foster growth, improve our efficiencies and encourage our competitiveness.

First, *prima inter pares*, is a skilled workforce. We together, but we in industry as well, must train, recruit and retain our pool of the best and the brightest in the world. We're doing that. It's hard work. We're investing in it. We're taking the time and money to do it, and we're not going to stop. We look for your co-operation in doing that.

The second is what we call business infrastructure. That includes everything from our roads that move people to the wires that move our information, the hospitals that serve our residents and the facilities that host our

meetings, conventions, companies and visitors. Clearly, you can appreciate there's a very strong partnership role with the provincial government on this count.

We also need to look, in this area, at risk capital for our existing and future companies. Those three challenges—a skilled workforce, business infrastructure and risk capital—are the ingredients for continued success. That all fuels the entrepreneurial spirit that must be supported with real measures to support our private sector growth.

All this said, even with all the media attention Ottawa has received globally, in Canada and throughout Ontario in the last few years, we're still a hidden gem. Our profile is enormously less than our competitors in the United States. Our demographics are changing as our technology sector grows and our economy changes. We've got to communicate that. We must have a responsive and flexible education system. This needs to be the case at all levels: kindergarten to grade 12, colleges and universities, and continuing skills development. Ottawa must have an infrastructure building program that strategically responds to and invests in areas that will build our global competitiveness and maintain our quality of life.

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Our story must be told, and we're telling it. We need your help to tell it, and we need your help to keep writing that story.

Ottawa is an example of the returns that came from investment in the knowledge-based economy. This did not happen overnight. It has happened since the 1960s and 1970s. Denzil Doyle will tell you it happened in the 1960s and 1970s. Our story is a tremendous source of pride and an example of leadership and vision for Ontario. To drive forward the prosperity of Ottawa and of Ontario, the province must commit to investing in the growth of Ottawa. We cannot take Ottawa's success for granted. Over the next year, the Ottawa Economic Development Corp, on behalf of the business community, will continue to work with the city and the province to make both Ottawa and Ontario a leading economic force in the world.

I thank you for your time. Mike Darch and I will be pleased to answer questions. We're ready to speak to any of the matters we've raised, and we hope we can clarify issues you might have in your minds.

**The Chair:** Thank you very much. We have approximately five minutes per caucus, and we'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your very upbeat presentation. You're obviously very proud of your city and your community and of what you've achieved, and you should be.

As you know, it's not the business of the provincial government to promote any one community but to ensure there's a level playing field and to provide the overall infrastructure for all our communities—I'm from Hamilton.

I want to ask you—and certainly, Richard, I don't mean to centre Ottawa out in doing this; all of us have



similar figures and similar situations. But I can't recall ever hearing anybody say 88,000%, and I've been sitting in on these kinds of hearings for quite some time. That's a phenomenal number. It says a lot about your community, and I tip my hat to you. However, that 88,000% increase—I believe it was in venture capital investment—stands beside 23% of the children in Ottawa who are in poverty.

I realize that's not your responsibility, although I'm sure you care as an individual; it's our responsibility at the senior level of government. Nonetheless we've all got to be in there together. I'd like your thoughts on how we can continue to see the one number grow, which is good, and the other number diminish, which is bad. What's your sense of that? How would you see your community approaching that and, probably more importantly for purposes of these hearings, how would you see the government of Ontario approaching both those things, recognizing there are not the dollars to do everything—and that includes tax cuts, I might emphasize—especially in a downturn. This budget will be set in the context of a tumbling economy—if not bottoming, at least tumbling. So your thoughts on that, sir?

**Mr Henderson:** I must speak from the perspective of our community. I'll leave to your better judgment to interpret what that means provincially.

We think growth fuels the ability for us to create jobs in a community. One of the reasons we create jobs for all spheres of society in this community, not just the high-tech sector but the sectors that serve them, the service sectors, is to continue our growth. Continuing our growth also generates tax revenue for the provincial, federal and local governments, and helps provide the funds needed for the other public services you referenced in terms of helping those who need help.

That's why we emphasize in our presentation that there are three ingredients of future growth. First, we've got to increase our talent. We've got to make sure those young people coming out get jobs, so they have the quality of life they would like to enjoy. Let's not forget that. We're certainly actively engaged as a business community with the education sector.

Second, we feel that business infrastructure is key. You've probably heard the story elsewhere, but we think the Ontario government's efforts over the last several years have improved our competitiveness by improving the fiscal climate. But now we've got to invest in our future too. The business infrastructure, in our view, is very important and may be one of the main areas we need to interact on.

Last, we need risk capital and the entrepreneurial spirit. We think we're doing that. We're OK there, but we ought to keep doing that. I can't say how we can specifically address the constituency you talked about, but I know that the way we can contribute to it is just to keep growing, generating tax revenue and creating jobs.

**Mr Christopherson:** If I can, though, my problem is, having heard that at the starting line, which was 1995 when the government made that argument, is one thing.

But here we are into our sixth year of that very argument and only side of the equation is working. There are greater profits, greater investment is going on, our competition relative to our competitors is good. All those things are fine. But on the other side of the equation, it's not working. The revenue, even if it's being generated, is not going back into those areas of quality of life, and all those indicators are falling.

I don't want to be argumentative about it; I'm just trying to stimulate some debate. But it seems that one side of the equation has worked very well—you can't argue with that—at the expense of the other, and it's getting worse. If we continue more of the same, aren't we just going to continue to see an increase on one side and a decrease on the other? We've got six years of evidence to tell us how it works.

**Mr Henderson:** Briefly in response, I appreciate your point of view. We're going to speak from an economic development perspective—

**Mr Christopherson:** Absolutely.

**Mr Henderson:** —and I'll leave you and your colleagues to debate that provincially in terms of those public policy issues. I know the way we can contribute to that is to keep growing. How the benefits of that growth get shared, I think, is a public policy question beyond our mandate.

**Mr Christopherson:** Except that a lot of those things require—

**The Chair:** We've run out of time, Mr Christopherson.

**Mr Christopherson:** Thanks very much. I know they're difficult questions, and I appreciate your responses.

**The Chair:** Go ahead, Mr Arnott.

**Mr Arnott:** Congratulations on your success. There's a statement in last year's budget that I'm reading now to refresh my memory. It seems to me that we brought in favourable tax treatment for stock options for high-tech companies. That has been very beneficial in my riding of Waterloo-Wellington; I represent a big part of Waterloo region. Just briefly, how has that worked here? Has it helped? Do we need to do more of that? I'd like your response, and then Mr O'Toole has a question.

**Mr Henderson:** There's no doubt it's helped, as long as your stock is going in the right direction. There are challenges with that.

I think we've seen positive responses from both the federal and provincial governments on this issue in the last year. We're not sure how you place priority on perhaps accelerating that or giving further incentives. We haven't dealt with that issue extensively at OED, in terms of whether more needs to be done in that area. We do feel, and it seems to be a very strong consensus in our community, that perhaps we've got to make sure, in the things governments may do, that the business infrastructure issue may be a bigger bottleneck that's emerging in terms of growth. We don't think some of the softening in the economy is going to affect us that much. Our sector is

a little bit insulated in that. We really want to make sure the business infrastructure issue is on the agenda.

**Mr O'Toole:** I also thank you for your presentation and comment on our economic and fiscal management. I want you to know that the Honourable Brian Coburn also recognizes Ottawa as the high-tech capital of Ontario, certainly with some dispute in-house from our member from Waterloo-Wellington.

The dilemma we're faced with—and the way you described it, I might suggest, was very well done—is how we convince the people of the conflict between growing the economy so that you have the resources. That's a longer-term view of how you deal not just with policy but with the whole human capital versus working capital argument. I know you've numbered a couple of strategic things like clustering and academic infrastructure. But we hear—and just heard in the previous presentation—of the human infrastructure piece and having that quality of life you described as a pressing thing. On one hand, it's gratuitous in the short term to deal with housing issues and those things, and I know they're important. At the same time, without a strong economy you cannot have the strong quality of life issues, in our view.

In evidence to that, we had 10 years when, not in a political sense but for a lot of economic reasons, the whole revenue side just fell apart, and naturally all the other programs—not just the social contract—were in peril. How do you deal with it? We're in a no different situation. I suspect that competing conflict of things like capital tax is a penalty in Ontario. Minister Eves and Minister Flaherty have issued it. It makes you less competitive, and the microsystems all move to your competitors because we're not competitive in the global economy.

1350

I want you to understand that we understand your dilemma, but the message for me personally as an elected person in the riding of Durham is to say that we're not ignorant of the human challenge. In fact, whether it's the daycare issue, the homeless issue, the child poverty issue—all those issues—it sounds like we don't care. In fact, I think it's more difficult to make the commitments to build that human and knowledge infrastructure so we have the economy that we've become accustomed to. Have I got this right? I'm not just asking you a question, but in the response is there something we can do?

**Mr Michael Darch:** From our perspective, Ottawa was very fortunate from the point of view of having the federal government presence, as well as the presence of major federal labs etc. As you probably know, we have the highest-educated workforce in Canada. There is little question that our success in the new economy can be traced back to the success of our skilled labour force and the depth and the maturity of our skilled labour force. We certainly keep working hard to drive that forward.

The unfortunate thing is that, unlike minerals in the ground and trees in the forest, people can move. One of our biggest problems is maintaining that human capital and keeping that human capital here. We believe our

success in nurturing our human capital and keeping it here is generating tax revenue, which helps us deal with the other issues. Our findings in our branding and marketing study, which we're just completing, show that things like clusters of companies and a skilled labour force are a sort of checklist that if you don't have, people don't consider you.

Once you're into the big leagues, and we believe—you'll notice on that map there are no Canadian cities; we're competing heavily against US cities. If you lose a job in Ottawa, it doesn't go to Toronto, it doesn't go to Durham, it doesn't go to Waterloo; it goes to Raleigh, Atlanta etc. The thing that gives us our critical difference when we compete against them, when we meet the skilled labour requirement etc, is quality of life.

**The Chair:** Thank you very much.

**Mr Kwinter:** I'd like to just follow up on that point. In your presentation, you talked about doing a \$70-billion business—

**Mr Henderson:** One seven, \$17 billion.

**Mr Kwinter:** It's one seven?

**Mr Henderson:** Yes.

**Mr Kwinter:** —and 90% of that is export. Where is the bulk of that 90% going? The United States?

**Mr Henderson:** By far the bulk. Mike, any specific figures on exports?

**Mr Darch:** I don't know the figures exactly, but by far the bulk goes into the US.

**Mr Kwinter:** Overall in Canada, that goes across all industries; 90% of our exports go to the United States.

The point I'm trying to get your reaction to—and when you're talking about the support you need, when I was the minister, we had a trade office in Boston, New York, Chicago, Atlanta, Dallas and Los Angeles. What they did is, they would extol the virtues of what we had to sell in Canada, as well as try to get investment from those jurisdictions. We don't have any of those any more, notwithstanding it's by far our biggest market, and yet we have several US states that have offices here. They're out competing against you in your marketplace and we're not really competing against them in their marketplace, other than the business that individual companies get. Do you have any feelings about that?

**Mr Henderson:** We haven't found a major obstacle in getting our message of marketing on companies to the US so far. We've grown, but we've got to go to the next level. We also think that needs to be business led. That's one of the reasons companies in our community have invested heavily in the branding and marketing work we're doing. I'm sure trade offices would contribute to that in part.

Where the business community is expressing to us is the bigger obstacle to growth is in not making sure we convey our message outside by making sure we have a winning conditions message to convey. You can brand and market all you want, but if you don't have a good story to tell, the slogans and the catchwords will be exposed for what they are. The way OED has looked at the world is to say you need concrete winning conditions,



those quality of life issues, the good transportation, the good education, the good workforce, and you need to have the substance and do the sizzle and the sell. We've really focused on both points, making sure we do that and working with you and other governments to make sure our winning conditions respond to the demands we're facing.

**The Chair:** Mr Patten.

**Mr Patten:** I know your story well. I live here and I meet a lot of you and your colleagues. It's quite a story. I'd like to see somebody do some historical documentation of this, because some of the people, going all the way back to the early 1960s and 1970s, can tell quite a story.

I have two quick things. In my opinion, frankly, it's important to market, of course, what we have going here. I think that's something that is unique and something people don't consider certainly in the technology field, the diversity and depth of the full range of supportive services around this, legal services and connections around the world and this sort of thing, which have helped tremendously. The other is the sort of critical mass of R&D. Even though it had diminished for a while, I think it's grown somewhat now and that's gone through. I would even say historically the role of the provincial government in the early days of the innovation fund was to help with some venture capital when none of the private banks would provide very much. Some of your colleagues have mentioned that to me.

But at the end of the day, I don't think we're ever going to be able to compete with those American cities on a tax basis. We can always try to stay within striking distance, but I don't think we're ever going to do that. To push that one to its ultimate conclusion, in my opinion, is not going to work. It will come down to, I believe, quality of life. In other words, at the end of the day, you say your number one resource is going to be skilled labour.

The one example my colleague Mr Christopherson mentioned before, and I would just identify, is that the Irish experience is showing that when you put out a clarion call to those who are unemployed, to those who may have been disabled, to those who aren't skilled, to those who need some training, to those who can't afford to go to school, and say, "We need everybody in this economy to participate," they're having a fantastic, absolutely amazing response in the sense of what's coming together in Ireland today. It's a magnificent story. I would suggest maybe there are some learnings for us in that particular area.

I'm also delighted that the people in your area participate in some of the other social areas: our school infrastructure, our road infrastructure, our hospital infrastructure and this sort of thing. I look at us broadening it out. While you say, "We're here just from the economic point of view," knowing you as I know you, I know your concept is really broader than that, would you not say?

**Mr Henderson:** Just a short answer, Mr Patten, and then I want to turn to Mike to comment about the US situation in terms of our competitors. Certainly as a busi-

ness community, we feel the quality of life is key, the human resources are key and our definition is broad. We feel we have leadership roles to play in some of those areas of quality of life and supportive roles in others. Most certainly the business community here is a very active one, as you know. Like a lot of the communities that others of you are from, it's got to be teamwork.

But the issue of the comparison with the US is one we've got to keep in mind. Mike, comments there?

**Mr Darch:** My understanding is we have to get somewhere within 10% to 20% striking range. If we can get to within that level, we start becoming competitive and then it moves over to our quality of life etc. The trouble with quality of life issues is, it's difficult to define the quality of life. Given the shortage of labour we have in Ottawa at the moment, the Irish experience of turning every available body into the workforce would certainly help.

Briefly responding to Mr Kwinter's question about Ontario in the US, the only thing I would mention on that is that location decisions and people moving are very much related to a region these days as opposed to provincial or Canada. Therefore, if you're looking to assistance—places like Ottawa—we feel that assistance to Ottawa going out and competing against the cities we compete against in the US is much more useful than a broader Ontario comparison which, by definition, has to address all areas of the country. We wouldn't compete in certain areas of the economy, such as automotive, steel etc, but we remain very competitive in the clusters we've discussed.

**The Chair:** I have to bring this to an end, as we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

A quick announcement before we invite the next group. For the staff and the members, the transportation to the airport will be leaving in front of the hotel at 6 o'clock this evening.

1400

#### TASK FORCE ON POVERTY IN OTTAWA-CARLETON

**The Chair:** Our next presentation is from People First: Ottawa Action on Poverty. Could you please come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mr Cliff Gaze:** Good afternoon. It's a pleasure to have an opportunity to share with this committee some of the wonderful work we've been doing in our community, in the hope that it may give some guidance as to how we can approach some of the major problems facing not just this city but the province as well.

I'm Cliff Gaze. I co-chaired the Task Force on Poverty here in Ottawa-Carleton and I currently co-chair a steering committee which is preparing for a permanent advisory committee on poverty to work with the local municipal government. With me today are Candice Beale

and Terrie Meehan. I'll first ask Candice to make her presentation, followed by Terrie, and then I'll try and do a wrap-up.

**Ms Candice Beale:** Hi. I'm Candice Beale. I'm a former member of the Task Force on Poverty, a current member of the interim committee of the Ottawa Action on Poverty, chairman of the Poverty Awareness Week committee, and I've conducted parenting and poverty classes in the Centretown Community Health Centre.

The first thing I'd like to speak about is subsidized daycare. One of the recommendations of the Task Force on Poverty is that more space has to be made available. Subsidized daycare is vital to many families all across the province. Families with low incomes depend on being able to access quality child care, care that is regulated by the Day Nurseries Act, in order to maintain employment. Informal care is what most of these families must rely on as it is all they can afford. Since informal care is not regulated, people have come to feel that they are gambling with their children's lives and sacrificing the quality of their child's early education.

No one can be expected to perform optimally at their job when concerns for their children such as the ones I've mentioned are pressing on their minds. Thousands of these families qualify for subsidized child care. However, there are simply no spaces available. In fact, no new spaces have been created for far too long.

Subsidized child care is jointly funded between the province and the city. The region of Ottawa-Carleton did its part. They set aside the money to cover their share of the cost of these spaces long ago, but they could go no further without the approval of and funding from the province. It is now long past time the province of Ontario stepped up and did its share. Parents are desperate for more subsidized spaces, and the province can no longer afford to deny parents these crucial spaces. Access to daycare, quality daycare, directly impacts the workforce. If the province wants to keep Ontarians working, then it needs to make that possible by providing its share of the funding for these subsidized child care spaces.

The other thing I would like to speak about is the social assistance rates. In 1995 the amount of money that people on social assistance received was cut by 21%. This hurt recipients far more than the province realized. However, since the cut took place, the cost of living in Ontario has risen dramatically, yet the amount given to people to cover these costs has not. The numbers used by the province to calculate how much money a person needs to survive on are no longer valid.

The price of food has risen dramatically and the bargains we were told to look for no longer exist, thus making it impossible to provide adequate nutritious food for our families. This lack of proper food compromises the health of recipients, which will eventually lead to higher health care costs for the province, meaning that failing to provide sufficient money to those on social assistance provides no monetary savings in the long run.

The same holds true for shelter. With a less than 1% vacancy rate in Ottawa, affordable housing is almost non-

existent. Landlords know that people are almost desperate for any housing, so they can charge whatever rent they want and someone will pay it, putting most housing out of the financial reach of social assistance recipients. A staggering number of recipients have found themselves living in shelters. It costs far more to house a family in a shelter than it costs to simply provide an adequate shelter allowance, thus allowing families to remain in far more cost-effective private residences; not to mention it's easier to find a job, go to school or volunteer when you have a home.

In addition, the cost of maintaining that home has risen drastically. Heating costs having risen so much that the federal government felt it had to step in. However, the help they provided was just a drop in the bucket when a whole year of expenses is considered. These are but a few examples.

The cost of living has risen dramatically across the board; social assistance rates have not. People, families especially, can no longer adequately cover their basic needs given what they currently receive. A cost-of-living adjustment must be made and the amount those on social assistance receive must be increased accordingly.

**Ms Terrie Meehan:** Hi. I'm a bit nervous and I have a speech problem, so please bear with me.

I'm also talking on child poverty and housing; I believe they're related. If you can't afford basic needs for your child because you're paying for inadequate housing, then basically your child is going to grow up and the cycle is going to continue.

I'm a single parent of three. I'm disabled. I'm also a volunteer at CERA who weekly sees hundreds of people being evicted for not being able to afford their housing. I'm a volunteer at National Capital Freenet; that's how I can afford to go look out on the world. I'm also a volunteer at Home Safe where we're seeing the people who can't afford their housing. We're seeing a drastic increase, especially with the layoffs from the companies that are downsizing, and we're looking to see some support from the province—or I'm looking to see some support from the province for the people who just can't afford to go anywhere else.

I've sort of screwed up my speech, so I'll hand it off to Cliff.

**Mr Gazee:** Just to go back to give a little context of who we are as a group and what we've been involved in over the past couple of years, back in October, November 1998, there were five sets of hearings held across the region of Ottawa-Carleton bringing together people living in poverty to share their situations and how they were coping with cutbacks that they had to face and a more difficult climate. The intent of those hearings was for people to identify problems and to propose solutions so that we can look at how we can remove some of the barriers that are preventing people from participating fully in the life and the economy of this province.

We developed a set of recommendations which went to council and which highlighted particular areas of concern, whether it be child care, housing, transportation,



the cost of utilities, educational opportunities. There were about 10 areas. The final area in our recommendations was the need to create a task force to address some of the issues that we had identified and come up with some creative solutions to the problems that we had discovered in our community.

We presented our final report in February 2000, and the city council, or the regional council at that point, accepted part of that report, the idea that they would create a permanent advisory body that would bring people living in poverty to work with local government and local officials to look at all of those areas where the system is not working the way it should and where basically nobody is getting the best bang for their buck.

I would say the work of the task force has contributed significantly to the reduced caseload that's been tossed around in the media as of late, which brings to mind the impact of the current dispute over transitional costs and how they will affect the local economy. I can say unequivocally that, yes, we may not get new buildings, may not get new infrastructure, but the bottom line is that those people at the bottom of the economic spectrum will suffer more than they've been suffering in the past unless this situation is resolved. I think it's time for both the city and the province to back off a little bit and it's time to come up with a reasonable solution that will meet everybody's needs so that we don't create greater economic problems in our community.

1410

Among the areas in our final report that we felt needed to be addressed, not just at the local level but at the provincial level—and in fact some of them at the federal level—is the need to increase the basic rates to ensure that everybody can have an adequate diet, that everybody has adequate housing and that all basic utilities are covered. There is a need to infuse some new money to ensure that people have money for hydro and telephone etc. I think one of the strange things for me is that we're living in a society now where I've got kids who are going to school, young people walking around with cellphones, pagers, and then there are people in our community who have problems: their child gets sick in the middle of the night and they're running down the street looking for a quarter to go to a payphone to phone for an emergency. I think that's the equivalent of having outdoor plumbing in a society as modern as our own.

It's an issue that must be addressed because as long as people cannot communicate, they cannot get phone calls to say they're being offered a job or a training opportunity, they're cut out of the loop. We need to ensure that everybody is in the loop so that, at some point somewhere down the road, they can become active, employed people and can, in fact, become contributors to the tax base as opposed to a drain on it. I think that's very much what most people living in poverty would rather be doing than being—how would you say?—the pariahs of society.

Transportation is another very important issue. Our city now stretches from east to west 192 km, I believe,

and all of our industries are diversified all over this area. If we want people to be able to participate in that economy, to take jobs and to become self-sufficient, we have to ensure that people can get from point A to point B. I've noticed that at one point there used to be provided bus passes for everybody and that at another point down the line, when that was cut out, all of the second-hand stores, like Neighbourhood Services and Salvation Army, didn't seem to have enough clientele to maintain their resources, and they're supposed to be there to serve the poor. But the fact is—and I've experienced it myself—that if you've got to go find a pair of boots for your kid, and you've got to jump on a bus that's going to cost you \$3 there, and back and you get there and you can't find what you need, then you've wasted that money. So a lot of people stopped using those services.

Working on the transportation subcommittee, I have done some research on jurisdictions in the States, and transportation—the people who are barred from participating because of a lack of transportation—represented the highest single barrier to people on social assistance being able to access jobs or training. That figure was somewhere in the range of 47% or 48% of a barrier. In contrast, people who were identified as having drug or alcohol addictions in fact only represented about 2% of the population who considered that problem a barrier. So it may be time to redirect our energies in terms of where are the barriers and how can we remove the most significant barriers and place a little less emphasis on barriers which are minuscule in their import.

Child care is extremely important because for single parents particularly to leave their homes and go off to work they have to be assured that their children are going to be safe and that they'll be well cared for. With the growing economy in our community, there is lots of opportunity for night work and for shift work and there is no flexible child care for evenings and nights. For those people who can, for example, do child care in their home, the only people who can access that are people with disabilities. At this point, people need to be able to leave their children at home. They can't be uprooting their children and putting them in a daycare and picking them up at 6 or 7 o'clock in the morning when they get off work. That's not a viable option. So there is the need for changes in that system so that home daycare and subsidized home daycare will be available to people who need it.

Education is another big area. A lot of people have difficulty accessing the education system. There is difficulty acquiring enough money in order to become part of the education system. There is a need that benefits be allowed for people who are studying, at least for their first post-secondary degree. This is an opportunity to move people up and along and off the system. As well, a student loan should not be considered as income for determining eligibility. This puts the student at an unfair disadvantage compared to other students and it puts the possibility of failure much higher for that individual. The

other area in education is the need to reinstate subsidies for special-needs children.

Affordable housing is a major, major problem in this community, as was alluded to. As long as our vacancy rate is somewhere at 0.2%, which is a ridiculous amount, and we have people flooding into the city for high-tech jobs who are living in hotels and God knows where, and who can afford to come along and bump up the rates—I've heard stories where an apartment would be available and somebody in that category of a new employee would come in and say, "I'll offer you X amount more than you're asking for that apartment," and automatically those people who are on lower incomes are being forced out of the housing market. The end result of that is greater degrees of homelessness. I know that problem of homelessness is like apple pie and motherhood, but the reality is that it's a very real problem. There are people dying in increased numbers on the streets here in Ottawa. I know it's happening in Toronto and in other jurisdictions across the province, as well as other cities across Canada, because first of all the feds bailed out and then the province bailed out and now the issue of affordable housing has been dumped down on to the area that may be least able to afford it.

Those homeless who are dying on the streets of our city are actually telling us something. They play a very valuable role. You may remember that a long time ago when coal miners were going down into the shaft, they always had canaries that they would put down there to see how toxic it was, and if the canary started to die, they knew there was something wrong and they wouldn't send their crews down into the mine. Those homeless who are dying on our streets are the canaries of our society who are in fact telling us there is something toxically wrong in our society that needs to be addressed. Those people who were born in Canada or came to Canada with great hope of how they could contribute have been given the shaft in more ways than one.

I think one of the problems we see in the debates that have gone on is the polarization between left and right or one side and the other, and my observation about people's beliefs and what they think is right is that everybody actually has a kernel of truth. There is nobody who is entirely wrong. Some people have a bushel of truth and some people have a little bit of truth, but I think the biggest mistake comes when somebody assumes that the pile of kernels of truth they've got in their hand represents all the truth there is to have and that their opponents have no truth whatsoever. I think it's important that we see what truths are coming out of the mouths of the people who, on the surface, we may not necessarily agree with.

The analogy in my mind is that it's like a bird and the poor are the hungry belly of the bird. What we often are seeing in our society—and the poor are powerless to influence this process—is that the left wing of the bird is trying to decide it's the wing to fly this bird, the right wing is doing the same thing, and in the meantime there is no harmony. We as a community and as a society must realize that to get that bird off the ground we have to be

working in harmony and that it's a symbiotic process. We are mutually dependent. Whether it be labour and management, whether it be rich and poor, we all have a role to play that balances each other off to make our lives as a community more successful, more profitable, with fewer people marginalized, fewer people dying on our streets, and so that more people have an opportunity to contribute to the greatness of this country.

At this point, I could entertain any questions, if there are any.

1420

**The Chair:** Thank you very much. We have approximately two minutes per caucus, and we have to make it tight. I'll start with the government side.

**Mr Galt:** Thank you for your presentation, and congratulations on the task force on poverty that you've worked on. I hope I can leave a little time for you to explain to me your definition of poverty and what level that comes to.

I just want to explain a few things about what we've been doing and give you some background. The big thrust of our government has been to create jobs. We're up to almost a million jobs, something like 844,000 net new jobs. A lot of people who were on welfare now have permanent jobs. Some have immigrated—come back to our country. But sometimes it doesn't matter how much you give, there's always more to be asked for. Certainly a previous Premier of this province, Bob Rae, said that many times. Sometimes it's difficult to know just what level to plug in.

Right now, according to the National Council on Welfare, we are 34.7% above the average for our welfare payments in Ontario. That's significantly higher than other provinces. Does that make us right? Not necessarily, but I just want to bring that out in comparison.

A couple of programs: there's Healthy Babies, Healthy Children that we're putting something like \$67 million into annually, the Better Beginnings, Better Futures program, some \$772 million being put into welfare services for children's aid societies to do more for children, just to name a few of the programs we're involved in.

I'd like to save a bit of time for you to explain to me, especially with your task force, where you draw the line as to poverty. I've lived in a Third World country and travelled in others, and I've seen phenomenal poverty. I wonder how you define poverty in Ontario.

**Mr Gazee:** I've travelled in Third World countries also, and I've seen the most desperate levels of poverty, levels of poverty I haven't seen here. However, I think one of the problems is that poverty becomes a psychological phenomenon for people. When my kid goes from a community school where everybody is at the same socio-economic level to a high school where everybody is running around with cell phones, and they drive in, in their cars and have the best-labelled clothing, those children eventually start to feel, "This is not where I belong."

The disparities are how poverty is mentioned. It's when people are denied what's going on around them and



they're left out of the loop. That's how I define poverty. I know there's a lot of debate about low-income cut-off points, and I'm not even prepared to go there. I've seen poverty in these communities, I've seen suffering and I've seen people die on the streets. You mentioned the CAS. There are many parents who feel they just can no longer cope. In my own community, people have had to give up their children to CAS because they can no longer afford them. I would say that's poverty. It doesn't compare with what I saw in Guatemala or Nicaragua, but yes, there's poverty. I don't think it does us any good to make comparisons against other countries, because we are Canadians. We're living in an environment that looks like this and doesn't resemble the streets of Guatemala.

**The Chair:** The official opposition. Mr Patten.

**Mr Patten:** Thank you, Cliff, Terrie and Candice, for coming today. I know of your task force. I've participated in some of the consultations, and I commend you for your stick-to-it-iveness for the more than months and weeks—the years—you've spent addressing the people who are not quite as fortunate in our community. Your task force will now become a permanent task force.

I ask you whether you've dug into this as a general question. You can see the debate: we say the government is not doing enough, and the government says, "We've got this, we've got Better Beginnings, we've got this program, we've got that program." They've thrown out about 25 different little pieces of programs that in and of themselves are not bad programs. It seems to me that part of the problem is that at any juncture where there is an opportunity to get ahead, whether it's a single mother who is trying to go to university but needs to get some daycare subsidy and can't get it and therefore can't go—that's where the government, it seems to me, pushes and tries to squeeze and resist what they call "abuse." In the bargain, though, in my opinion, it discourages people and it actually blocks people from getting where they want to be and where I think the government would want them to be.

I'd like your candid reactions to that. I'm not suggesting just throwing everything wide open. All I'm saying is that there are a number of blocks in the system that are there because the government keeps obsessively talking about this welfare abuse that, in my opinion, does not exist. It certainly doesn't exist as it might in other sectors. If it does exist, it's very, very small and very, very minor. Would you have a comment on that?

**Mr Gaze:** Yes, I agree that there are lots of good programs that are being put in place, but I think the problem is where the programs don't exist, where there are barriers that are not being addressed, that keep that single mother from acquiring the education that moves them on down the line to become a more contributing person. Those things have to be looked at, and they have to be looked at dispassionately and without looking at, "What's the ulterior motive here?" I think we're caught up too much in motives and who's right and who's wrong, when the reality just needs to be fixed. I believe Candice wanted to add something on that as well.

**Ms Beale:** I just wanted to make a quick comment about the government's claim of programs. The percentage of people who actually access these programs or even have use for these programs—better, healthy babies: fine, if you have a baby. If you have a teenager, that program is useless to you. I think if you checked, you would find that the number of people who are actually accessing these programs is a lot smaller than the government would like you to believe. Frankly, we would all be better off if you would stop inventing programs for us, ask us what we really need and perhaps just give us the money on our welfare cheques so that we can actually buy groceries. Because a better babies program is a wonderful thing, but if you can't eat your breakfast before you go to this program, the program really doesn't do what it needs to do.

**Mr Christopherson:** A very sobering report; thank you for taking the time. One observation and one short question.

Observation: you mentioned the bus pass program. It came to my mind immediately that back in the 1980s, when I was on Hamilton city council, we had a discount to the bus pass program to help the unemployed. It was expensive but it provided them with the transportation and all the obvious things that I don't need to tell you. It was interesting: the sort of, I'll call them the right-wing group, for lack of a better label, decided that this had to go. They made all the arguments about all the things that could be done with that money, much like those who come in and say, "If we paid off the debt, we'd have all kinds of money that we wouldn't be spending servicing the debt to do this and this and this and this." But what's interesting is the reality was that once the program was gutted—because they got enough votes to do it; they killed the program—they voted en bloc against every initiative to then spend that money elsewhere as they had argued would be the ideal situation, since it was just this program they didn't like, not the idea that it would go there. I think it's something for all of us to keep in the back of our minds when we hear folks talking about what percentage of our expenditures is going to service the debt. They say, "Eliminate the debt; there's all this money." Oftentimes, if they still control it at that time, it doesn't go to all the things they said; it goes into things that benefit those who already are doing quite well, thank you.

I want to ask one question: at the end of the day your goal, obviously, is to move the government, to get something done. I'd like to say to you that if we could tap into the hearts of everybody, that would be enough to do it. But my experience in public life tells me that's not the case. It takes more than that. I'm talking about the public now, reaching the public. Self-interest is human nature. Have you got any evidence that shows that the growing numbers of people in poverty are clearly—they are, but have you got the evidence that shows that there are middle-class or middle-income families that are sliding, and that for those who aren't in poverty, you have reason, even if it's just self-interest, to care about this? Can you just give us a little of your experience on that?

**Mr Gazee:** I'm a case in point, possibly; we could put it that way. I was well employed with CBC Radio until the program that I was working on was cancelled. Subsequent to that my wife was killed and I was left with a two-year-old daughter and a nine-year-old son at that point. Anyway, all of a sudden I found myself in a situation where although I was doing quite well at one point, it was a slide. It was a continual slide to try and keep up with things, and I found myself eventually standing in a line of a food bank, looking for services at the local community health centre, getting involved in things like that. I know that I'm not the only one.

1430

There's a saying within the community that almost everybody is just one or two paycheques away from the food bank. The turnaround can be so fast and we can see it. We've got so many people being laid off. At one point, all of a sudden there's a big hiring binge here in Ottawa; the next thing you know, you've got people out on the streets. There's no security for anyone at any level of the stratosphere and for people involved in this fight, it's not generational poverty in all cases; it's cases of situations where people have slipped or pushed or eventually slid into a situation of poverty. That's a loss. Those are human resources that are being lost to the overall economy of this community. "Economy" comes from the word "ecology" and they're all related, and we're all part of the environment. We can contribute or else we can be just scattered and wasted on the rocks as so much human garbage.

**The Chair:** With that, I'll have to bring this to an end because we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr Gazee:** Thank you for the opportunity. It's been a pleasure.

#### CANADIAN CHEMICAL PRODUCERS' ASSOCIATION

**The Chair:** Our next presentation this afternoon is from the Canadian Chemical Producers' Association, so I would ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome, and you have 30 minutes for your presentation this afternoon.

**Mr Richard Paton:** My name is Richard Paton. I'm the president of the Canadian Chemical Producers' Association, and I have with me a number of representatives of our association and various companies. To my left here is Mike Hyde with Dow Chemical; further to my left is Dave Podruzny who's with the association in the economics role; and our regional director for Ontario, Norm Huebel.

Thank you very much for the opportunity to speak with you today. The subject I'll be talking about is quite different from the last subject you heard, so I must say you must have a tremendous range of types of presentations. If you'll permit me, I'll go into the more industrial

part of this fine province. I'm going to talk a little bit about the nature of our industry and its importance to Ontario, and then I'm going to focus on the three most significant issues that we would like to address in this budget. I'll probably speak for about half the amount of time that we have allocated and we'd be happy to hear questions.

You have a presentation in front of you with this little chart. The reason we use that chart is to give a bit of any idea of how our chemical industry fits into the province of Ontario. We call our industry a keystone industry because you can see how it relates to the resource base of the province, such as forestry, wood, paper, agriculture, mining, metals, also the petroleum industry, natural gas industry.

The chemical industry is largely focused on the chemistry process of transforming products from a resource base to consumer products for Canadians, such as plastics, rubber, food and beverages, the cars you drive, many of the products that are in your homes and many of the construction materials that we use such as insulation in houses etc. That's the nature of our industry and it's a critical industry to any industrial economy.

If you look at our industry, we're the third-largest manufacturing industry in the province. We have around \$7.5 billion to \$8 billion in sales in the province. Our industry employs about 45,000 people if you include the more general chemical industry. Our industry is very productive. There has been a lot of talk about productivity, a concern that maybe Canada is not quite as productive as the United States. We've done an independent study with Industry Canada on this and we found that we're one third more productive than the United States. In fact, we're the highest, most productive of all the G8 countries.

Notwithstanding that productivity and the importance of the chemical industry to the economy, we feel we're still not getting our share of investment in this province. There's about \$40 billion of investment, North America-wide, in the chemical industry going on at any given time, and we feel that, given our productivity level and our access to a huge, 120-million-person market within a one-day trucking drive to those markets, we should be getting about 10% of that investment, or about \$4 billion a year as a country, or about half of that for Ontario, which would be around \$2 billion.

But we're not getting that kind of investment for all kinds of reasons. I know the chairman has been involved in some of the issues related to those reasons, and we feel that Ontario could be much better positioned if we got a number of issues dealt with that would help us increase that investment.

**Mr Patten:** Can I just ask you a question? What's your level of investment now?

**Mr Paton:** That's a good question. It's probably around \$200 million or \$300 million a year.

**Mr Dave Podruzny:** The total in the sector was almost \$1 billion last year in all investments—that included repair—in Ontario, but it's still well under what we would have projected as a target, which is \$2 billion.



**Mr Paton:** We're at about 50% and we'd like to be at 100%.

**Mr Podruzny:** Our sector, the industrial chemical side of that, is about \$650 million.

**Mr Paton:** With your packages you have this scorecard. This is the third time I've been in front of your committee and I've noticed that every time I come, the scorecard is well appreciated because it's one of those nice documents where you can quickly understand what's going on, see the pluses and the minuses and the neutrals. I'm not going to discuss the scorecard in detail, but you'll notice the way it's set up it shows you where we are in a plus position vis-à-vis other jurisdictions that we compete against for investment, where we're in a neutral position and where we're in a negative position.

We tend to be in a negative position in areas such as access to feedstock. The critical mass of our manufacturing industry, if you compare, say, Sarnia to Houston, for example, it's quite a difference in critical mass. Energy costs are increasingly becoming an issue; construction costs have also been an issue and remain an issue.

In past presentations we've focused on areas such as construction costs, electricity deregulation and other areas. Today I'm going to focus largely on three issues that all relate to the question of investment, which is our number one priority. These three issues are the Ontario retail sales tax, cost recovery and tax competitiveness.

Why are we talking to you about the Ontario retail sales tax? I assume that sales tax is always a problem for just about everybody, but why is it a problem for us in the chemical industry? It's kind of a unique problem. Until last year, CCPA member companies and their contractors had thought it was clear that reinforced concrete, which is integral to the production process in construction, was exempt from the Ontario retail sales tax. However, recent reassessments of projects by the Ministry of Finance auditors have subjected this reinforced concrete to the sales tax. The reassessments are significant. They add up to 0.5% to the capital cost of chemical industry projects. Most of our projects are in the \$200-million, \$300-million, \$500-million range. So if you start adding 0.5%, that doesn't sound like much to a \$10 bill, but if you add it to \$300 million, it can be a lot of money, or a portion of that project, because that is the portion that would be reinforced concrete. That small amount adds significant enough costs to actually start making projects less competitive when compared to other locations.

As a result of that problem, CCPA and a Sarnia construction association which represents contracts in the Sarnia area are asking the standing committee to confirm that reinforced concrete, which is integral to production, is indeed exempt from the ORST. We've been advised by the Ministry of Finance staff that this confirmation must be provided in the provincial budget. The staff cannot provide that confirmation themselves; they can, however, explain to the standing committee exactly what is required in order to provide that confirmation. Once the confirmation has been made, CCPA and the SCA can work with ministry staff to see that the appropriate

categories of reinforced concrete are correctly incorporated into the auditor's guidelines.

**1440**

We've been working with the ministry staff to develop the costs and benefits associated with providing that confirmation. Again, that information is available from the ministry staff. I guess we're requesting you to look at this issue and, in the budget or your recommendations to the Minister of Finance, signal the intention of this government to make the changes to the regulation and guides that would indicate that reinforced concrete, which is integral to manufacturing and equipment, is ORST-exempt.

In this case, there might be some question of, is this going to be a loss of government revenue? Because the reinforced concrete is normally part of new construction, and if investments are not made or able to be made in the province, then in fact there will be no revenue from sales tax. So it's not a win-lose situation; it can be a win-win situation.

The second issue is cost recovery. When governments get short of resources, and we've seen that at the federal level, there's a big tendency for departments to search out new ways to replenish that revenue, and the end result is often for departments to seek out cost-recovery opportunities. This has been the tendency in the Ontario government. Some people would argue this is a tax under another name, a hidden tax or another way to approach taxation. Some would argue that it's right because there's a private benefit involved and the private sector should be paying for that private benefit. We have been working with the Ministry of Finance, Management Board and others to put in place principles and criteria and an implementation procedure which would ensure that cost-recovery initiatives are developed and implemented fairly. So we're not opposed to cost recovery per se, but we definitely have a lot of difficulty with cost recovery that doesn't seem to be linked to either a service or an improvement or even very clearly to a public-private benefit issue.

We recommend that an ad hoc working team of industry and government be established to accomplish this, and we would appreciate the support of the standing committee on this issue.

I should just note, as an aside, that I've been involved at the federal level in this issue. There is a cost-recovery coalition of about 15 associations working on reviewing the cost-recovery policies of the federal government. The parliamentary committee on finance has done a complete report on cost recovery at the federal level, criticizing it very heavily for its inappropriate implementation. So this kind of issue can easily snowball and get out of hand and cause governments a lot of difficulties. It's definitely in everyone's interest to get good, clear policies upfront and then to provide the guidance as necessary for departments to work on cost recovery.

The final issue I want to raise is improvements in tax competitiveness. The Ontario government is to be congratulated on the corporate tax reductions announced in

its 2000 budget. This was a significant move to achieve corporate tax advantage. As quickly as fiscally prudent, we urge Ontario to accelerate its announced reductions to the corporate income tax. When fully implemented, it will open up a clear advantage with our competition in other jurisdictions. This will make a difference and provide key and necessary ammunition to retain existing facilities and to win new investments.

We also believe that it will be useful if the Ontario government opens up a dialogue with the federal government to consider the future elimination of what we call profit-insensitive capital taxes. CCPA recognizes a limited scope for further tax reductions in the short term, certainly in the uncertain economy that we're facing now, but we urge both levels of government to revisit this form of corporate taxation. Any substantial reduction or elimination of this fixed tax will be bound to support investment in the newest and best technologies.

The reason we're focusing on capital tax is that you'll hear many ministers, especially ministers in the federal government, talk about how important productivity is, how we need to be better at innovation, how we need to make more investments in capital, and yet when you start looking at how we reward investment and how we penalize investment, in fact it's the opposite signal that we give to the private sector. I think, Dave, you may want to talk about that sometime, but if you're building a chemical plant in the United States, you're writing it off in five years. If you're building it in Canada, you're writing it off in 10 years. If you start looking at an investment of \$300 million and then you say, "Gee, I wonder why the investment's not coming to Canada," it's pretty simple. It's just a little bit of math, and you can figure it out pretty fast. So while the country keeps talking about productivity and investment and innovation, it's also taxing the very capital that drives innovation, investment and productivity. At some point in time, both provinces and federal governments have to deal with this issue.

In summary, we in the chemical industry are engaged in the serious business of working to win investments for Ontario. As you all know, we are a global industry, probably one of the most global industries in the world. We compete for investments with other key jurisdictions, especially the Texas, Louisiana and Gulf Coast areas. We have many advantages as a province, as you can see from the scorecard, but there are some areas that still stand in the way and limit our ability to attract investment. If we addressed some of these issues, we'd definitely be in a lot better position to be able to win investments, which means winning jobs, which means investing in communities, and which means better revenues for the Ontario government. Everybody's going to win.

**The Vice-Chair:** Thank you very much for your presentation. We have about two and a half minutes per caucus, and we'll start with the official opposition.

**Mr Kwinter:** I was interested to see your comments about how we are no longer competitive in the electricity field. At one time that was one of our strongest incentives

for attracting industry to Ontario, particularly those who were heavily dependent on electricity. I assume in your industry that is a major consideration. Do you have any thoughts about what is happening at the current time with the proposed restructuring of the electricity sector?

**Mr Paton:** Yes, it's a big subject for us, but I'm going to ask either Dave or Mike to talk about that. They're much more knowledgeable about that than me.

**Mr Podrutzny:** The scorecard that you have in front of you is going to be adjusted immediately following the next budget. One of the points that I think will come up is that the electricity rates in Ontario, which have not moved for a number of years, where rates have moved in other jurisdictions, are rapidly going to be moving to the point where they are competitive.

One of the concerns we have in the whole process of deregulation, and I guess it's where we appreciate that the move is going slowly and carefully, is that the deregulation process needs to afford competitive options and that there need to be, in a deregulated environment, choices for the public and for industry. A deregulation process that only moves from a provincial monopoly perhaps to a private monopoly is not deregulating. We would want to see a sufficient number of competing entities that you have competition.

So our concern about rates has to do with moving to the kind of deregulated industry that you see, whether it's in telecommunications or trucking and so on. The rates, as they stand right now in Ontario, are competitive with the immediate region around. The lowest rate would be in Quebec. The second-lowest rate would be in Ontario. When you head west, Manitoba is lower. The main competition, though, for southern Ontario is going to be with the immediate northern-tier states, where the rates are competitive. Where we said in here that the rates were non-competitive, it was because as early as a year ago there were a large number of neighbouring states where the rates have now gone up.

**The Vice-Chair:** We'll move on to the third party.

**Mr Christopherson:** Thank you, gentlemen, for your presentation.

I do want to talk about the revenue on the sales tax, simply because there are tax moves you want to make that do pay off in the long run, and there are others where you're being lobbied because people are smart enough to lobby you for their best interests. Do you have a dollar figure? Do you have a sense of that? What is that?

1450

**Mr Mike Hyde:** Yes, we do. We worked very closely with the Ministry of Finance to try to determine what the revenue impact would be. We know very well our own sector and we were able to determine that, but we added on top of that five other industry sectors that may in fact have concrete used in the same way we do. The revenue impact was estimated at somewhere between \$12.5 million and \$18.5 million per year. Offsetting that, of course, is the personal income tax, if new jobs are created, and corporate tax, of course, with new investments and new manufacturing facilities, too. We're still trying to figure



out what that offset would be, how big that would be. It's a little bit harder to get our arms around that figure.

**Mr Christopherson:** I can appreciate that. To be fair, everybody makes that argument, whether it's spend this on education and you'll save money, or spend this on preventive health care. Everybody makes that argument, and if you just did it across the board on the corporate side, what would make sense is just to eliminate all corporate taxes entirely and then we'd have more money than we can count. It's not that straightforward; very little is.

But I was wondering what other industries this impacted on, and are you the leading user of reinforced concrete and, if so, why? Why the chemical business?

**Mr Podruzny:** I'll see if I can tackle that. We probably are the leading user. We're not asking that all reinforced concrete be made sales tax exempt; we're only asking for that portion of reinforced concrete which we have believed for some considerable time is integral to the manufacturing process. That might be a special concrete support for a high-velocity engine or a reactor vessel, where the concrete support is necessary for the operation to actually proceed.

There are a few other industries where there is a similar—perhaps it's a concrete support, perhaps it's a concrete waste treatment facility. The industries that we have identified that have some but, we believe, less concrete component in the four or five categories that we've identified are the petroleum refining sector, pulp and paper manufacturing—and both of those have some similarities to our industry—and then, to a lesser degree, as you moved down you'd have the non-metallic mineral manufacturing, primary metal manufacturing and, finally, metal fabricating. Those sectors have some components where the reinforced concrete is integral.

The other point we would make is that the products we are talking about, if we make them off-site and pull them on-site and then put them together with our equipment, are retail sales tax exempt, but if we fabricate them on-site or if we have the contractor come in and put them together on-site, the tax is charged.

**The Vice-Chair:** Thank you very much. We'll have to move on.

**Mr O'Toole:** Thank you very much for an important perspective on building our provincial infrastructure. I just want to acknowledge a couple of discussions. Mr Christopherson earlier, and others, have been sort of trying to map out the conflict of building the capital infrastructure to create wealth. That's been the debate basically from the beginning. In fact, the TD chief economist, Don Drummond, who was here before—and I was quite impressed—talked about real growth and nominal growth, but the most important thing he talked about was the growth in productivity. You've talked about the capital drivers, which are really the innovative investment decisions that create capital. There's some risk with that. So I just want a response. We've had some input on the capital tax side, both federal and provincial.

Looking at this whole thing from a productivity perspective, and it's sort of covered in your tax competitive-

ness issue, number 3. I suspect that I'm of the side that believes without a strong economy, you can't deal with the other social issues very properly, whether it's daycare or homelessness or a lot of other issues. No one here is opposed to that. It's just our approach to solving it is different than it was for 10 years. We're trying to put together the infrastructure, and your industry, the chemical industry, is extremely critical, I know, to our Chair, Mr Beaubien, down in his area.

Just map out a little bit more what we could do on the capital tax side, not just the retail sales tax side. That's just a one-off, and it sounds like it's solvable from what I hear you saying, but perhaps on the broader capital side. We've created the innovative research and development challenge fund and the strategic skills investment fund. We've looked at the corporate tax rate being halved; I believe they set it out as being over eight years, and we're trying to do it in less. We've given investment incentives for research and technology. But on a practical business case comparison with you and your neighbours in Texas, I think you need to look at the whole box of revenue demands. What could we do to get the best value for Ontario?

**The Vice-Chair:** Mr O'Toole, you've used most of your time, but I'll give you 20 seconds.

**Mr Paton:** Great, 20 seconds. We talk fast.

I think you're absolutely right. We're comparing all these things to other jurisdictions. Very simply, if you take a look at the total corporate tax load on our sector, it was around 40%, right, Dave? Then it was cut a little bit by your reductions in the Ontario level.

We've done an analysis of what corporate tax levels probably would be required to significantly attract investment. We feel at the federal level, it should go from about 21% to 17%, and if the reductions are made as quickly—I don't know what the time frame is in Ontario, but if it moved down quickly, we'd end up with 17% plus 8% or something, so it would be around 25%. At 25%, we would open up an advantage vis-à-vis the US, and we need that advantage to offset the fact that we don't have huge complexes like Houston, we're not close to the market, we're not close to the headquarters, we're not close to where the R&D is usually done.

That would be a short answer, plus address the capital write-off provisions.

**The Vice-Chair:** On behalf of the committee, thank you very much for your presentation. Most informative.

#### OTTAWA-CARLETON ASSEMBLY OF SCHOOL COUNCILS

**The Vice-Chair:** We'll move on to our next delegation, the Ottawa-Carleton Assembly of School Councils, if they would come forward at this time. On behalf of the committee, welcome. To begin your presentation, just state your name and those of your associates for the record. You have a half-hour in grand total for a presentation and questions divided equally between the three caucuses.

**Ms Cynthia Pohran:** My name is Cynthia Pohran, and I am the chair of the Ottawa-Carleton Assembly of School Councils.

**Mr John Dingwall:** I'm John Dingwall, and I'm on the executive of the Ottawa-Carleton Assembly of School Councils.

**Mr Greg Laws:** I'm Greg Laws, also a member of OCASC, as a liaison officer.

**Ms Pohran:** I'd like to start by thanking the committee for giving us the opportunity to address you and to present our concerns. I'm really pleased that you are soliciting public input to the provincial budget through this process, and I found it very interesting to listen to your presenters. You've had a long day and I just really appreciate your attention at this time to hear what we have to say.

Of course, it will sound like we're giving a very local perspective, but I think that when we describe the issues that we are concerned with, you will find that they're not a local phenomenon and they are actually pervading the education system throughout Ontario.

One of the things I heard through previous presenters was about the quality of life. It may sound like we're coming from conflicting perspectives, but I think that depends on our vantage point. One of the things I realized, too, is that the province has diverse responsibilities and you're striving to meet the public interest. These things we all very much appreciate.

One thing that we do think, though, is that Ontario's budget should not promote a society where a small percentage of the rich would get richer and the poor might get poorer. What we're going to deal with here is how public education becomes the great equalizer for our citizens in Ontario right across the province, the fact that it would be accessible to all and that, once in the education system, every child has an equal opportunity to experience personal success through their educational experiences.

Another issue that I've heard expressed—a common thread through all the presentations—is that people are the key to our social infrastructure, that school, if it's not child care, is the first experience outside of the family, and that school should be a safe place, and it should meet a diversity of the needs of all students. These issues we will also address in our presentation.

**1500**

Our message to you as a province would be to invest in education. A child typically spends 15 years in the education system. These 15 years shape and mould our future leaders of our society. They shape and mould and provide the skill sets. Every one of the presenters who were presenting on the technological or the business side were saying they need skilled work people in their workplaces.

So these are the issues that we're going to address. We did give you a written presentation. We're not going to read it verbatim; we're going to try to touch on the key issues, and then we do hope that you'll read some of the filler in your spare time, if you have that.

The Ottawa-Carleton Assembly of School Councils is an umbrella organization for the 150 school councils that serve approximately 80,000-plus students within the Ottawa-Carleton District School Board. You heard this morning from the chair of the OCDSB, Jim Libbey, about the issues facing our board. We are in complete agreement with all of those issues.

We are a non-partisan organization. We represent a broad cross-section of the population. Our motto is "Working together for excellence in education." We do this within our school councils as individual members in local schools. We do this in the assembly as school councils working together. We do try to partner with the Ministry of Education. It doesn't matter what stripe that ministry is wearing at any time: our first interest is the students. They are our children. School councils are made up of a majority of parents. We want to see the students put first in any type of ministry directive.

The general picture is that English public education in Ottawa-Carleton is suffering from the impact of continuous funding cutbacks. Our students are paying the price now but our community will pay the ultimate price later.

From 1998 to this present time, the OCDSB budget will have been cut by close to 20%. In theory, the cuts are supposed to come from central administration and education tax dollars are to be focused in the classroom. The reality is that central administration accounts for only approximately 2.8% of the total budget. That amounts to approximately \$14.4 million on a \$403.7-million budget. We're using the 1999-2000 figures; those are the ones that we actually had record of. Therefore, most of the reductions have come straight out of the classroom. I think that's important for you to know.

What is our message? The current funding formula handicaps our board with regard to providing quality education to our students. It is time for the province to reassess an increase in funding for Ontario's students.

Before the funding system was centralized by Bill 160, school boards had the local authority to raise taxes and to allocate these dollars to directly benefit our students. This ability to invest in local education allowed our board to take into account the specific needs and priorities of the Ottawa-Carleton region. You heard some of those needs expressed earlier this morning by the OCDSB chair. The application of the revised provincial funding formula has resulted in lessening the quality of our region's education. Our school board is left with no flexibility and is constrained to the provincial average. That was a message I heard from a previous presenter: that we must have a responsive and flexible education system. We couldn't agree more, and that is one thing that the current funding formula does do: it restricts flexibility.

The funding cutbacks that we have experienced so far are only the tip of the iceberg. The mitigation or transitional funding is now expiring and our students will soon be feeling the full force of the cutbacks. This will have a tremendous impact on students all across the region. Many who are currently disenfranchised with the declin-



ing quality of English public education are seeking alternatives. Those who can afford it look for options outside the public education system. If this phenomenon continues, it will result in a two-tiered education system with unequal opportunities.

Access to quality education should not be based upon one's ability to pay. Education of our children is a basic tenet of a democratic society, and the cost should be borne by all members of society. Those who choose to or must remain in the public education system face a situation that just keeps getting worse. As we see each of our children going through the system, we also see declining quality of education, mounting pressures and diminished choices which are the result of a funding formula based on government budgetary decisions and not on sound pedagogical principles and practices. Any potential positive results from educational reforms are being lost because they have been introduced without proper timelines or adequate financial support. OCASC has gone on record previously to say that we applaud many of the government's education reforms. The new provincial curriculum is a wonderful document, but without the necessary funding to support that curriculum, we're losing those positive results.

The consequences of cutbacks in the school system will be felt not only in the political system but also in the economy of Ottawa. Since Ottawa makes a vitally important contribution to the provincial economy, this impact will affect the Ontario economy as well.

Your budgetary decision will be, "Do we pay a bit more now or a lot more later?" I think that might become evident as we highlight the specific areas where we are seeing the most stringent constraints in our budget area. We'll be talking about special education, we'll be talking about English as a second language, and the frustration that students are feeling with having restricted courses and not having the textbooks to actually meet the curriculum requirements.

All in all, parents and school councils are seriously concerned about the current and prospective state of education in Ottawa-Carleton. We see the system getting worse despite all our fundraising and volunteer efforts. The whole concept of public education is that all taxpayers invest in quality education for each citizen, regardless of his or her socio-economic status or particular set of abilities.

School councils and parents of school-aged children have traditionally augmented the educational experience with their participation and/or fundraising efforts. Today, school councils and parents are faced with the dilemma of raising money to provide basic curriculum resources. This should not be the case.

From the government we hear about the importance of learning in the knowledge-based economy; we hear about the importance of innovation and investment; and we hear about the need to be competitive in a global economy. We agree with the government on all these points, and we believe that in order to achieve these goals you need to make the necessary investments to ensure that we have a strong education system, now and in the future.

In looking at some of the specific areas—we've outlined them in our brief—we'll touch upon special education first.

Special education provides help to those students with exceptional needs, including children with developmental disabilities, learning difficulties and behaviour problems. When children in need are identified, they should get the help they need. This provision of appropriate programs and services increases their chance for success and their ability to become productive, contributing members of society. Without the necessary funds for assessments and appropriate programs, we fear that our children will not reach their full potential, and they may drop out or go through the system without acquiring the knowledge and skills they need. In essence, if we're investing in post-secondary school education but we're not giving the children the resources they need to get through secondary school, we are not solving the problem.

Ottawa-Carleton has traditionally been a leader in special education, with approximately 12% of our students currently identified as exceptional students. Special education currently accounts for about 20% of the total instruction budget. Meeting local needs for special education costs our board \$10 million more than the formula provides. The strong programs that we have had are now being weakened or dismantled.

Our board has been forced to reduce the number of paraprofessionals and educational assistants who support regular classroom teachers. Many of these personnel are the very same people who should be conducting the early-identification tests that enable exceptional students to be assessed and funded by the government through ISA grants—intensive support allocation. Many of our congregated classes that once provided exceptional students with the appropriate services they needed have been dismantled, forcing integration into a regular classroom that does not have an adequate number of teaching assistants to help the teacher manage classroom behaviour. Consequently, all students are being affected and their educational needs are not being met.

The solution is not, in our opinion, to dismantle the programs that Ottawa has built up, but rather to increase the support for special education across the province. Such a decision would recognize that special education is an investment that will pay off as students in these programs become adults who can make important contributions as employees and citizens.

English as a second language: for most jobs in Ontario, competence in English—not just a basic knowledge of English—is essential. If we want immigrants to be employed at their full potential, then Ontario's public schools should be providing the required ESL instruction to school-aged children. This can only yield substantial benefits over the longer term by providing a larger educated labour force and fewer socially assisted persons.

Unfortunately, ESL funding is currently available only for the first three years from the time of entry into Canada, and it is not available at all for children born in Canada. These rules do not address the reality of the

home environment for immigrants, many of whose children do not enter the school system with the necessary knowledge of English.

Our statistics here would say that over 8,500 students in the OCDSB need ESL instruction. The current statistics are now 9,700, and we're only meeting the needs of approximately 30% of those students. That is just to give you an idea of how much we're falling short of meeting the needs of these students in our system.

I'm going to let John continue with secondary schools.  
1510

**Mr Dingwall:** The secondary school system is absolutely fundamental to prepare young people for post-secondary school or career choices. Those who lack secondary school diplomas will be facing limited prospects. We need to ensure that we have the financial resources to respond to the diverse needs of our students and to ensure their success.

What's happened here is, we have the shift to the four-year program and, at the same time, we've had a reduction in the funding that's available. That means there are fewer slots in the curriculum for students to choose. You're getting declining enrolments in some courses and we have a very limited ability to carry courses with smaller enrolments. Consequently, a lot of courses are being cancelled and the range of options is being reduced.

We find the cancellations occur in areas such as senior-level courses in the social sciences, drama, visual arts and music, physical education and health, and international languages. It's really depressing to actually go to a school council meeting and have the principal tell you the courses that are being cancelled are the courses you were counting on that you wanted your kids to take.

At the same time, with the shift to the new curriculum, we have a distinction now between applied and academic courses, but this distinction, which actually makes a lot of sense in many respects, is not working too well because we don't have the ability to carry the requisite number of courses, and students have difficulty finding mathematics and science courses that match what they specifically require. There are a lot of problems there with math and science as well.

In the bilingual area, we're having difficulty putting those programs together because we can't fund the senior social science courses the students used to have. So that's harder as well.

We've also found that there's limited chance to actually innovate in the system. For example, we would like to put studies in international baccalaureate programs in various schools, but we've been very preoccupied with school closures. All of our innovation's been put on hold for the last couple of years, and that will continue to be the case. What we're finding is less innovation, less choice and just less opportunity in the secondary school system.

At the same time, we did some research, for example, looking at American schools in Minneapolis and places like that, California, Arizona etc. What we found was

that their schools are maintaining the programs in exactly the areas we're cutting back. These are the places where people are going down to for high-tech jobs, and they're making comparisons between Ottawa and these other possible locations that they could go to.

So far, our education system has actually been a selling point. People have these discussions. They look at the various elements of the package, they look at taxes, they look at quality of life, they look at bike paths and parks, you name it, and they look at education. Education has been strong up until now, but as we implement these 20% reductions, we're finding that the whole quality of the system is going down. We've got less and less choice, and this is going to be less and less of a selling point as time goes on. It's what we would call an emerging issue. If you look at the actual comparisons, you find they're really maintaining these programs in the States, like international languages, athletics, sports, drama, music etc. I looked at those Web sites and actually started getting a bit depressed.

**Ms Pohran:** A further concern relates to the current impact of Bill 74. When the Legislative Assembly held its hearings on Bill 74, OCASC came forward and expressed its concern that this bill would reduce the number of teachers in each school, thereby increasing safety risks to students, and also that the quality of education would be reduced because remedial help was not classified as part of instructional time for teachers, and we were very concerned about our students who needed that remedial help. That need doesn't just disappear at grade 8; it continues on through high school.

The legislation has increased teacher workloads, while reducing flexibility in scheduling. That impacts our students. Some students are seeing a changeover in teachers halfway through the year and, again, less of an ability to offer a wide range of courses to fulfill the needs of each student. Not every student is geared to major in computer technology and go out into that area. What we have also seen is a drastic reduction in applied technology in the trades. Even our intermediate schools are not able to introduce that type of course to a student, and so we have a reduction in people going through the system who are pursuing the trades.

Also, the net result has been less teacher time available for students outside the classroom, less time for individualized assistance, extracurricular activities and in-school supervision. We're also saying that Bill 74 needs to be reviewed, reassessed and revised, and though that may not sound like a part of the pre-budget consultation, in essence it is, because basically we're saying that although the funding formula is restrictive, it just can't be reorganized within the existing amount of money you've put into the Ministry of Education. There needs to be more money put into that area so that all of these issues can be addressed.

For elementary schools, we see it as a starting point of a child's education, a foundation upon which the rest of his or her educational experience is built. Across our whole system and across the province, we see problems



stemming from funding shortages, and that includes shortage of textbooks. As we've said, the new curriculum has been introduced from kindergarten right up to grade 10 now, but when boards budgeted for putting textbooks in the classroom, it wasn't for that many grades and that many classrooms all at once and so boards are left with a shortage of funds. We know there has been grant money given, but it's not sufficient. We know of schools that have an immediate need for, let's say, \$45,000 of French curriculum textbooks; otherwise, their teachers are spending time translating English documents into French just so that they can teach the curriculum to the students.

We've lost vice-principals. The funding formula only allows a principal for what is considered to be an average-sized school, but most of that school size is slightly larger than a lot of our schools and that means our board has to make up the shortfall there.

Our libraries are suffering in that we cannot staff them with teacher-librarians. Library technicians have been put in place because we can put those people in place for a lower salary. A lot of our libraries are closed to our students for a good portion of a day. They may only have a library technician for half a day, and yet you'd think the library would be the hub of a school. This is another real situation that we think needs to be addressed.

There are things like the reduction of availability of specialized instruction in technology and the arts, inadequate playground equipment and the fact that our transportation is causing our children to go on double or triple busing at very early times. You've heard the concerns about waking children up so they catch buses at 6 o'clock in the morning, and that's happening for school-aged children too.

I know our time is coming down to 10 minutes. We have points on capital investment, the impacts on our community and the impacts on the economy. We also have recommended solutions in our brief, as well as an executive summary on our cover page.

What I might say in closing, because I'd like to leave time for the members to engage in some questions, is that no matter what industry you hope to support, I'd like you to keep in mind that Ontario's students are your clients who must be served by the province in order to provide the skilled labour force that would enter those business places and workforce. Thank you.

**The Chair:** We have approximately three minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. You hear enough presentations from enough communities about where we are with the education system and it just leaves you dry as to where you go to try to find another angle to make the point. I can only hope the government's listening, because virtually every community in this province is facing the same thing. I heard in Thunder Bay exactly what my trustees tell me in Hamilton, in my hometown, that we're hearing here, that we hear in Toronto, and I have no doubt we'll hear tomorrow in London also.

Let me ask you this. In Ottawa specifically, if the trend isn't changed during the term of this government,

which could run another three years or the better part of three years, where are you going to be? If you want to take it out further, where are you within a half decade and a decade? Where does this kind of short-sighted funding deficit ultimately lead us?

**1520**

**Ms Pohran:** It's hard to predict the future, and I won't claim that I have the ability to do so, but certainly, if our students continue to slip through the cracks, we do think there'll be a negative impact on society: frustrated adolescents. We see a rise in violence in school locations; outside of school as well, in our society. Especially for the special education students, I know the government has committed to providing standards within the next three years; we're aware of that. But there is certainly a need until those standards—and we welcome them—are addressed. Funding must be provided so that the supports can be in place, because integrating special education students into the regular classroom without appropriate supports is affecting every student in every classroom across Ontario. I would just say that we have to recognize that young people can be frustrated. It may be increased dropout rates with the introduction of Bill 81 and the code of conduct and the strict discipline schools. We have concerns over all those issues and we really don't know where it's going, but we're concerned.

**Mr O'Toole:** Thank you very much for your presentation. I think you listened to presentations today from all the different sectors. I hope you get an overview of the tough choices of the human dilemma.

**Ms Pohran:** We do.

**Mr O'Toole:** Where does the money come from, really? From the government? Well, they don't have any money. I'm not trying to be smart, but it's that simple. We redistribute the wealth.

My daughter is a high school teacher; my wife is a teacher. I have five kids. I was a trustee for a couple of terms. I don't disagree with anything you're saying, but there are some choices. You can't be all things to all people. I would agree with investing in the classroom—totally, absolutely. I would today commit with a resolution that we would put more money in the classroom.

Some 85% or 90% of the budget is wages and benefits. You saw the board's presentation. The top three items were all salary and benefit issues. Not to say that good people shouldn't be well paid, but my point is, how do we build in the investment in accountability so that it's in the classroom?

Just earlier today the Ottawa-Carleton Child Poverty Action Group—I'm going to quote from Lynn Sherwood about the new learning opportunities grant for children at risk: "To the best of our knowledge, these grants have been rolled into the general revenue of the Ottawa Board of Education for teachers' salaries." That's in her presentation. We have evidence that there's been money taken out of textbooks for teachers' salaries. The Ottawa board got a 4% raise. Where did they get the money? The increase in their budget—by the way, it did increase in real dollars. Where did they get the money? From books.

**Ms Pohran:** I would like to address that. The first thing I'd like to address about that is the fact that the government is not providing sufficient money to the boards to pay their teachers and other employees based on contractual obligations. The percentage that you're talking about—we follow the budget process quite closely. We know that it is the first increase the teachers have had since 1991-92, and 4% for teachers, in our opinion, is a better investment in the classroom.

Those teachers are in the classroom. The quote from Lynn Sherwood—I don't have the statistics, but I would hesitate to agree with it. I've been at the budget presentations and have seen the accounting of the grants. If you want to offset the number of retirements and the number of resignations that are happening in the teaching field, I think you have to at least offer some kind of competitive salary. The Ottawa-Carleton District School Board's salary for teachers is not at the top end of the provincial average, but I do say that the government should be providing at least the average for the salaries and benefits to the boards of education, or they should take courage and enter into the contractual obligations themselves, because the boards do not have any more resources as far as raising the money to negotiate, and yet they're at the board with the federations.

**The Chair:** Thank you very much, Mr O'Toole. We've run out of time. Mr Patten.

**Mr Patten:** That's a heck of a litany of identified areas that are wanting. When you put it all together, it says—and by the way, to my colleagues on the committee today, these are parents who work incredible hours, better than half time in some instances, in trying to contribute to better education in the community.

The cutbacks that have been taken out of education leave a base, all the responsibility and all the control centralized at Queen's Park, but you've got the problem of trying to sort it out with no decision-making. You've got to renegotiate contracts but you're given a certain guideline for salaries, and you know you can't even satisfy the salary guidelines so you've got to get that money from somewhere else. It's an absolutely stupid situation that you have to live with, we all have to live with and, as you suggest, you're going to pay for this.

I'd like you to identify the growth in the private schools that is going on in this particular community—and I think I know some of the answers but you may have more definitive information than I do—directly as a result of the frustration of people saying, "I am sick and tired of seeing my kids getting kicked around. We're trying to raise money for textbooks; we're trying to raise money for basic programs in this thing. We can't get a resolution between the government and our teachers for after school. To hell with it, I'm taking my kids out," with one kid or another. And then they're still contributing their time voluntarily to try and help the situation, in your situation. What is happening related to the growth of private schools in this area?

**Ms Pohran:** I don't know if I have any statistics on that. I've been so immersed in trying to work in the pub-

lic education system, and that's where our three children are. As Mr Patten has pointed out, we're all parents here and committing voluntary hours as per school councils—that's exactly what we do.

I do know anecdotally of people who have moved their children into the private schools. They can't afford it. Parents of children with special needs have been especially frustrated with the lack of supports. I know of parents within the public education system who have made transfer into schools not based on program decision but because it's safer at this school than at that school over there. We know of parents who have chosen to home-school their children because they can't afford any other option. We know of parents who are moving into the Catholic board, and I know that board is funded by public taxpayer money too.

I guess what I'm trying to say here is that's not the point, because if we ever got to a two-tiered system where the government moved to charter schools and gave people their money as vouchers to go and shop where they wanted, we are concerned that no one will want those special-needs kids. Which school would want those kids to bring down their graduate statistics? We have a real fear that would be the way we'd go.

We're appealing to the government to look at public education and the budget that they're putting into the Ministry of Education based on those facts and other things that we've brought to the table.

**The Chair:** Thank you very much for your presentation this afternoon.

#### ALEX CULLEN

**The Chair:** Our next presentation is from the city of Ottawa. I would ask the presenter to come forward and state his name for the record. On behalf of the committee, welcome, and you have 30 minutes for your presentation this afternoon.

**Mr Alex Cullen:** I would like to thank the standing committee on finance and economic affairs for giving me this opportunity to address you during your pre-budget consultations. My name is Alex Cullen, member of Ottawa city council and chair of the Ottawa Housing Corp for the city of Ottawa. I'm glad to see some familiar faces around the table here.

I'm here to speak to you about the challenges facing the new city of Ottawa—the costs of our amalgamation, the demands for new infrastructure, our housing crisis, and the need to refurbish our hospitals—and to plead with you to reinvest the province's burgeoning surplus, now running at \$1.4 billion, into needed public services, not more tax cuts.

As you are aware, our new city has been newly created from the amalgamation of 11 municipalities and regional government into a city of over 800,000 people. The promise that was made to us by the Minister of Municipal Affairs and Housing at the time was that this would improve service levels and provide savings for property taxpayers. While all agree that there are savings



to be made from amalgamation—\$86 million is what the transition board has identified—not all of this can be returned to the taxpayers. As you will see from the table before you, the budget pressures upon the city of Ottawa amount to \$57 million. Take out Ottawa Hydro; you end up with what's available to the city, some \$22.5 million.

1530

However, what had appeared to us to be some \$22.5 million in savings at the end of the third year that could either be returned to the taxpayer or reinvested into much-needed public infrastructure—and I should mention that the transition board had identified \$145 million in additional infrastructure requirements above and beyond the city's annual \$300-million capital budget—all this has now evaporated with the government of Ontario's inordinate \$94.5-million bill for the costs of amalgamation.

This was not only unexpected, as we had assurance from the transition board that the Minister of Municipal Affairs and Housing had agreed to at least a 75% provincial share, still leaving a \$47-million bill for Ottawa taxpayers, but it means either Ottawa taxpayers see a 13% tax increase, confounding the promises made by this government in initiating amalgamation, or a corresponding cut in services, again confounding those promises, or a reduction in our capital infrastructure program by nearly one third, which would be counterproductive to all parties concerned. Clearly, this is a problem that would be in the interests of all parties to resolve, not by rhetoric, if we are to sustain the growth experienced in this, the second-largest city in Ontario.

The government of Ontario has certainly benefited from this growth; it has not only saved \$100 million as a result of lower welfare costs—and I should mention the city of Ottawa's costs have actually increased by \$4 million due to provincial downloading of the costs of family and new-resident cases; no savings here—but has benefited from the increase in provincial revenues in sales, corporate and income taxes. In the last two years tax revenue generated in this community increased by more than \$250 million annually. All together Ottawa contributes more than \$2.5 billion a year to the provincial treasury. We have contributed to the province's \$1.4-billion surplus. It is time to see that reinvested back into the community.

As you may be aware, Ottawa has been experiencing tremendous growth over the past few years, particularly in our high-tech sector. The high-tech sector has recently become the city's largest employer, exceeding now the government sector, a clear indication of the tremendous growth we have seen here in Silicon Valley North. However, with this growth in employment and wealth-creation comes the need to provide infrastructure—roads, sewers, public transit, housing etc.—to sustain this growth. The alternatives are traffic congestion, inadequate services, unaffordable housing that will choke off growth.

The transition board, in developing the budget for the new city of Ottawa, had identified over \$145 million in

additional projects, beyond the \$335-million capital program for 2001 they have placed before city council. These are not nice-to-haves; these have been identified by your transition board as necessary to sustain the growth that the city has already experienced, let alone meet the needs of tomorrow.

If we are to sustain this job-creating, wealth-creating growth that benefits families, business and governments alike, then we must make the necessary investments to sustain it. It is clear, as the transition board has indicated, that new funding sources must be found. This is where the investment in public services is needed, and now.

One of the issues facing our community is the lack of affordable housing. Since 1995, when this provincial government cancelled its funding for new socially assisted housing, no new rent-geared-to-income housing has been built in the city of Ottawa. Yet our waiting list for this housing has doubled over the interim to over 15,000 households today.

Further, the promise of private sector investment—and I heard it at the Legislature—in affordable housing has failed to materialize. The elimination of rent controls through the passage of the so-called Tenant Protection Act did not lead, as the government promised, to the building of affordable housing in our community. Today we have over 72,000 households here in Ottawa paying more than 30% of their gross income on shelter, in a community that has only 22,000 units of socially assisted housing. Our vacancy rates are less than 1%, 0.2% to be precise, and rents are skyrocketing. This means that these families have less for their children, less for their health and less for their future than before. This is clearly unsustainable.

The province has downloaded the costs of maintaining our current level of social housing on to municipal taxpayers, at a cost of some \$59 million a year. While we can manage the current portfolio, property taxpayers are in no position to build and support new socially assisted housing. It is up to senior levels of government—who, through their downloading on to municipal taxpayers, are reaping the benefits through budgetary surpluses—to contribute their share toward dealing with this acute housing crisis. Band-aid solutions are not enough. It is a real crisis.

Does it make sense to pay \$4,000 a month to support a family of four in our shelters? But that is what we're doing today. The cost of a rent supplement for socially assisted housing is now less than \$200 a month in our city, if only we could get some built. This is another example of where investment in public services is needed, not more tax cuts.

Lastly, I want to talk to you about our hospitals. I've provided you a chart that shows the renovation costs for hospitals as a result of the Health Services Restructuring Commission. As members of this committee know, the government of Ontario in 1995 established its Health Services Restructuring Commission to review Ontario's hospital system in order to improve efficiency and save taxpayers money. In Ottawa, the Health Services Re-

structuring Commission closed our Grace and Riverside hospitals, amalgamated our Civic and General hospitals and closed beds elsewhere in Ottawa. Included in its 1997 orders were instructions as to how its decisions were to be implemented, including the necessity of capital renovations to improve hospital services. This has led to the now \$598 million required to implement the Health Services Restructuring Commission's decisions, what is now arguably the largest capital project in Ottawa in recent memory. However, the expectation that the local community must provide \$232 million toward these needed renovations is both unrealistic and unfair.

Our community raises about \$110 million a year in charitable donations. The United Way is responsible for some \$18 million of this. It would be devastating to community programs funded through charitable contributions if an additional \$23 million or so had to be raised each year for 10 years for our hospitals. Our community can't absorb that kind of fundraising burden. Further, the municipality has tremendous needs simply dealing with the costs of amalgamation—remember that \$94.5-million bill?—and the demands for infrastructure growth, before even contributing to what is clearly a provincial responsibility.

It would take a 3% increase in property taxes to fund this amount, and that is simply not on. The amount being demanded is inordinate, unprecedented in scope and beyond the ability of property taxpayers to pay. And why should we? These costs are the result of a provincial initiative designed to save the government of Ontario money. Well congratulations: you have a \$1.4-billion surplus. Further, it's the government of Ontario that has the legal, moral and political responsibility to fund health care and our hospitals. It's in Canada's Constitution. It's your job. Do it.

What the government should be doing is reinvesting taxpayers' dollars into needed public services—infrastructure like roads, transit, schools, hospitals—not in more tax cuts. This is where the need is, and that, in my view, is what taxpayers want. I urge you to bring this message back to the Minister of Finance and to the government of Ontario. That is what the province's budget should be focusing on; that should be its priority.

**The Chair:** Thank you very much. I'll start with the government side. We have approximately five minutes per caucus.

**Mrs Molinari:** Thank you very much for your presentation. I feel a need to clarify some of the initiatives that we as a provincial government have taken. The provincial government has recognized the importance of Ottawa-area municipalities through a number of actions.

First, I think it's important to point out to everyone involved how provincial actions have benefited the taxpayers in Ottawa over the last few years. The region of Ottawa-Carleton received an \$18.5-million grant for their transit capital in 1998. This represents over one quarter of the total \$70 million provided province-wide. Also, in 1998 the region received a transit grant of a further \$25 million in recognition of Ottawa's unique capital needs

for a rapid transit system. Between 1998 and 2000, the region received over \$7.5 million in highway funding grants. Between 1995 and 1999, as part of the Canada-Ontario infrastructure works program, the province provided \$45 million to the Ottawa area as its contribution for local initiatives. Under the local services realignment exercise, the municipalities in Ottawa received over \$218 million in annual new revenues to cover off the municipalities' new service responsibilities.

**1540**

To assist municipalities in their new responsibilities under the local services realignment, the province provided the community reinvestment fund. To date, Ottawa municipalities have received over \$14 million in CRF payments. Ottawa municipalities also benefited from transitional assistance money for LSR, in 1998 and 1999, of almost \$3 million.

The government has committed to reducing the cost of education on the property tax bill. To date, business property taxpayers have seen a reduction of over \$650,000 and residential taxpayers have seen a reduction of \$17 million. When fully implemented, the education tax cuts will benefit business ratepayers by over \$1.5 million each year and residential ratepayers by \$34 million each year.

Secondly, the provincial government has made a commitment to assist the new city in amalgamating its operations so it can recognize savings and efficiencies to the benefit of local taxpayers. The transition board has identified almost \$90 million in annual savings due to amalgamation. This will allow the new city to respond to local priority initiatives as well as provide tax savings to ratepayers at the same time.

To assist the new municipality in its reorganization to recognize these savings, the province has committed over \$108 million this year to fund these activities. This transition money works out to \$360 per household to cover those one-time transition costs, one of the highest per household amounts in similar restructuring initiatives. I think it's safe to say this is certainly a fair deal for Ottawa ratepayers and council.

I am confident that the city is also currently preparing to initiate its plan to realize the savings identified by the transition board. The hard work undertaken by the transition board produced a number of recommendations on how the taxpayers would benefit in a new amalgamated environment. The report of the transition board has provided a road map for the new city council on how to achieve these savings. I and other members of the government continue to encourage the new council not only to adopt these recommendations but to find even further ways it can deliver quality services at the best possible cost.

When I think of some of the immediate things the city can do, the pending decisions on what to do with surplus municipal assets comes to mind. Through the sale of surplus assets, the city not only benefits from reduced operating costs by no longer having to operate these facilities, but also reduces its debt load by removing these liabilities from its balance sheet. Just as impor-



tantly, when the city sells off surplus land and buildings, these properties become taxable and represent new revenue to the city each and every year.

Finding these benefits and savings for taxpayers must be driven by strong leadership and political courage. I, along with my colleagues, continue to urge Ottawa city council to embrace these challenges and deliver to Ottawa taxpayers what they deserve; that is, the best possible municipal services at the best possible cost. Taxpayers anywhere in the province deserve nothing less.

**Mr Cullen:** Thank you for that rather patronizing statement.

I was on city council from 1991 to 1997. We went through the downloading the province inflicted upon us, the shell game of taking money off property taxes for education and dumping extra social services on to our tax base. Removing funding for transit from property taxpayers, taking funding for highways off property taxpayers—the list you give doesn't even come close to compensating the cost that the provincial government inflicted on the property taxpayer in the city of Ottawa.

I can give you chapter and verse; the cost of downloading has been well documented by our own staff. It was not revenue-neutral; that was the promise. It cost us, and it cost us in services we had to provide.

It's interesting that you talk about selling off land. We have a housing crisis. There is no point selling off land we might be able to use in public-private partnerships or find funding from senior levels of government if we have to buy it back at higher prices. Yes, we will sell off lands that are surplus to us. We've been doing it for years and we don't have to be told to do it again. But it's not going to be able to pay for this bill.

The bottom line is we have new needs as a result of the amalgamation bill that no one was controlling: your creature, the province's creature, to create this transition board, and no one was minding the shop when they went over budget on consultants, over budget on a whole raft of things, and we're being faced with 50% of the bill. Who was minding the shop for the most expensive per-capita transition board in Ontario? That's ridiculous.

**Mr Patten:** I'll give you a little more time, Alex. You've heard the continuation of communications by press release, by statement, one thing or another. I still don't know whether the council or the mayor has received any personal communications in terms of, "Let's sit down and talk about some of the issues, all right?" The transition board was a creature of the province; no parameters were given. It would seem to me to be prudent that if someone sets up a management mechanism called a transition board, they might say, "Here are some of your parameters. Don't go beyond this. If you do identify these as options, that would be in the hands of council to reconsider or to make decisions upon."

So the relationship is not good these days. I hope it will be, with the new minister of municipalities. I'll be happy to see Mr Claude Bennett come back and see what he has to say. He had said it was 75%; he was convinced.

I don't believe he would say that out of the blue. I think our representatives here were not able to carry the day back at cabinet, and that's part of the problem. They were told that they would not have to carry the day on 75%. Anyway, that's another issue.

The fact remains that a very paternalistic government came in and devastated education, devastated health care: "This is what's best for you." In each area, you had education councils, you had the health—

**Mr Cullen:** Health services restructuring council?

**Mr Patten:** No, not that; the local health council.

**Mr O'Toole:** The district health council?

**Mr Patten:** The district health council, as we called it at the time. It did a tremendous amount of work, identified areas and said, "Don't go this way." They go that way, they take over \$100 million out of health and education, then come back and say, "Now go back to the community and raise this amount of money," with a formula that was less participatory in terms of contributions by the provincial government. And we wonder why we have that environment here today.

A lot of people are not happy when you say, "Now get out there and raise this money." "What are you talking about? You just took away our hospital. Now you want us to go out and raise money for some restructuring, where the existing hospital now is carrying a deficit because it can't do the job?" Who will say today that our health care is better than it was before? Not very many. But I'll let you carry on for your reaction to some of this.

**Mr Cullen:** I do know that our mayor has an appointment with the new Minister of Municipal Affairs and Housing and is expecting to, hopefully, deal with this issue on a more professional basis than we've been seeing in the news media. It has been very disturbing.

The transition board was informed that there was a deal for 75%, but it confounds the promises made by the original minister, the Honourable Tony Clement, who, when initiating this amalgamation process, told us that we would be able to maintain service levels and provide savings. Then we get downloaded an ambulance system.

Now, our ambulance system is running at 14 minutes to serve somebody 90% of the time, when it should be at nine minutes. As a result, we have lives being lost. It was a broken system and we have to pay money to fix it. We're doing it because the province wouldn't accept that responsibility. So we're investing money there that's coming out of the local taxpayers' pocket for what was previously a provincial responsibility. That's just one small example, but it's clear and it has been well documented.

Our plea here is, this government has record-breaking revenues. It has a surplus. There are crying needs out in the community because of what the government has done to extract that money: the off-loading of transit, the off-loading of all these responsibilities. Therefore, put the money back in so we can have good hospitals, we can serve business in the growth areas, we can serve our families in our communities. That's all we're asking: reinvest that money. You'll get it back. You'll get it back

in higher economic activity, higher taxes, wealth creation, jobs. Everyone's a win-win if you make that investment, but it's crying out for investment.

When you look at the hospitals, that's one that can't stay with the municipality. It's the province that initiated it. This is not some local project that is 70% province, 30% local; this was a massive provincial initiative creating massive changes. The responsibility lies with the people who started it and who are insisting that these costs be paid for, because the Ministry of Health has approved these costs.

We're asking for the investment. It'll pay us all back. It just makes sense.

1550

**Mr Christopherson:** It's good to see you, Alex. Thanks for your presentation. Just a comment and then a question.

On the issue of the transition board, I don't know whether it's helpful, but you're not being isolated. The fact is that they're stifling all of us who were forced through the process. Maybe a suggestion to you and your colleagues is to urge your mayor to hook up with the mayors of Hamilton, Sudbury, Haldimand-Norfolk—

**Mr Patten:** And Toronto.

**Mr Christopherson:** Well, Toronto seems to be able to take care of itself quite well. Rather than letting the minister have the opportunity to divide and conquer, if they all went in as one and said, "Look, it's one policy that's screwing all of us"—are they having a joint presentation of all the mayors?

**Mr Cullen:** I know there is communication between councils and that a joint strategy is being developed, because it's happening to us all. You're right.

**Mr Christopherson:** Great.

The other thing is sort of an open-ended question. All those things you talked about, of course, are quality-of-life issues. I don't know if you were here earlier for the presentation from the Ottawa Economic Development Corp. They talked about the six things that make a city competitive, and one of them was quality of life.

I guess just your thoughts on where the overall quality of life in Ottawa is going vis-à-vis its relationship to attracting investment, but also vis-à-vis the current quality of life of middle-class people in your community who could see that begin to deteriorate.

I'm convinced there's got to be a message to the middle class that they're not protected from all this. You can't just look the other way and think it's only the poor who are getting shafted by Harris. If you haven't been hit yet, it's only because you haven't come up on the list and not that you aren't on the list.

**Mr Cullen:** We hear from our high-tech sector that they are having difficulty attracting people to one of the highest-growth areas in Canada, because we have overcrowding in our hospitals, because our hospitals need renovations, because they have overcrowding in schools and new schools aren't built out where they are, because they can't get housing for the people who clean the offices or run the cafeterias in these high-tech buildings.

There's no new affordable housing. They're coming to us and saying, "There's a problem here," and we're telling them, "Yes, there's a problem here. We need to work on senior levels of government to provide the infrastructure that benefits us all in terms of quality of life." We're hearing that message. It's coming from them that they're running into these difficulties. So it's already hitting us.

It's hard to compete with Silicon Valley in California when you don't have these services in place and they are there. The short answer to that is, it's affecting us already and has been for the past two or three years. We've been in this boom, growing like crazy, but no place to adequately send the kids, to adequately look after the health portion of it because of the status of our hospitals and to provide the roads and all the other infrastructure to help this community grow, economically, in terms of job and wealth creation, but also as a lovely place to raise your family. It's unfortunate that we're faced with that, and we don't have a lot of time to turn that around. Being faced with a bill from amalgamation that's going to knock out a third of our capital program—who's cutting off their nose to spite their face here? This is the fastest-growing community in Canada, and frankly the government is cutting off its nose to spite its face. It doesn't make a lot of sense.

**The Chair:** You've got another minute, if you want.

**Mr Christopherson:** OK. Housing: you've got 15,000 people, if I recall?

**Mr Cullen:** Fifteen thousand households.

**Mr Christopherson:** You've got 15,000 households on your waiting list. I imagine that putting your name on that list is tantamount to forgetting about it. The reality of actually coming up with a unit—

**Mr Patten:** They stopped taking them.

**Mr Christopherson:** I'm being told by Richard that they stopped taking them after 15,000. Not only that, but by the time your name comes up, your circumstances have changed so much—

**Mr Cullen:** If you get yourself on the list now, it's a five- to seven-year wait. For seniors it's up to a two-year wait. That's a long time for a senior to be on a waiting list. It is horrendous. Our waiting list in 1995, when this government took office, was 7,000 or so. We're at 15,000. This town grows, we've had all this growth, our welfare levels have gone down—our cost for welfare didn't go down, by the way—but we can't put people in the place. There's not equitable sharing of this wealth. There's no place to house these people. The rental market's gone through the roof. We've had precious little in the way of new rental housing—literally, about 200 units altogether in the past six years. It's unsustainable.

It takes a long time to turn this around. We can't do it as property taxpayers; it cannot be done. Yet we see senior levels of government, this province and the feds, running surpluses. Put it back in the community. You will get that investment back many times.

**The Vice-Chair:** On behalf of the committee, thank you very much for your presentation, and all the best in your role on city council.



## ONTARIO SCIENCE AND INNOVATION COUNCIL

**The Vice-Chair:** The next presentation is the Ontario Science and Innovation Council. Would that delegation now come forward. Thank you very much for coming out and taking time to present to our committee. You have a total of a half-hour for presentation. What's left over we'll divide equally between the three caucuses for questions, responses or whatever. Please state your name for the record.

**Dr Suzanne Fortier:** Thank you very much. It's a great opportunity for us to meet with you. I'm Suzanne Fortier, the chair of the Ontario Science and Innovation Council. I'm a member of Queen's University, where I am currently vice-principal, academic. Before that I was vice-principal of research.

With me is Dr Michel Chrétien, who is the CEO and scientific director of the Loeb institute, which is associated with the Ottawa Hospital and the University of Ottawa.

We are a new council, which was formed last year. Its creation was announced by Premier Harris in 1999, and the members of our council were appointed in June 2000. The role of our council is to be an arm's-length body that will provide to government, through the Ministry of Energy, Science and Technology, advice on issues of science and innovation. We have a very distinguished group of members who are all leaders in science and innovation, industry, academia and business, and I think we are very fortunate to have very committed members who want to be promoters of science and innovation in the province. We've met only three times since our inception, and we've already established three key sub-committees where we will focus our attention. These are: commercialization and competitiveness, education and skills, and evaluation of Ontario's R&D investments. We're also embarking on a benchmarking pilot project to compare Ontario in science and innovation with other jurisdictions in North America as well as in Europe.

We think Ontario has a lot of strengths. Among those are, comparatively speaking, a high quality of life, a skilled workforce, high-quality post-secondary institutions, a solid base of innovative companies in a wide variety of sectors and also a solid base of programs to support research and development, in particular in the Ministry of Energy, Science and Technology.

There are also areas, though, where we need some improvements, in particular, raising the awareness of the people in Ontario, particularly the youth of Ontario, of the importance and potential of science and innovation. Another area of concern is making sure we have the human capital in sufficient numbers and skills as we move into a new era where we will have slower growth in terms of the labour force and, of course, an aging workforce. We have to ensure we have education and training of Ontario's workforce for the new knowledge-based society.

One particular concern to us is the system of incentive and rewards we have, not only to attract these innovation

leaders to Ontario, whether they are involved in research or in business, but also to retain them in Ontario. We also need to have a good infrastructure system to move the ideas, the discoveries, from the laboratories into the marketplace and into society.

### 1600

We're working on developing an innovation strategy for Ontario, that is, providing advice on an innovation strategy for Ontario. We see a number of key elements in that strategy. One follows from what I said before in terms of our strength, but also some of our weaknesses. One is to develop a high level of public awareness of science, technology and innovation and their benefits to Ontario's economy and to Ontario's quality of life. Another key element is an education system that prepares Ontario's youth for the new economy. A third element is an environment that supports research and encourages new ideas and innovation. A fourth element is an infrastructure that facilitates the commercial application of these ideas and their transfer to society.

To support this strategy, we have some suggestions for budgetary strategies. If I can summarize, these suggestions are largely in three areas, because these are the three main needs that we have. The first need is to attract people and to keep them here. The second need is to provide those people with the tools they need to encourage research and to encourage discovery. The third area is, once these discoveries and bright ideas are with us, then to move them into commercial products and transfer them to society. So the budgetary strategy suggestions are in those three key areas.

The first one, which is in the people area, is to provide additional tools and incentives for Ontario to become more aggressive and proactive in attracting and retaining science and innovation leaders. I'm sure that you're aware, as we all are, of this whole debate on the brain drain and whether we are having a brain gain or a brain drain. I think most people who are leaders in science and innovation will say that we are losing key members, we are losing members who are the leaders, we are losing the top players and that we must make sure we have in place incentives and rewards so that these people not only will want to come to Ontario, but will want to stay here.

The considerations that we think should be afforded are, first, in fiscal, social and other incentives, to attract Ontarians back to Canada and back to Ontario, and also to encourage newcomers to come to Ontario. One very specific area, and it's among all of those, is a program that would help us attract foreign graduate students to Ontario. At the moment it is quite difficult for people from other countries to come and study in Ontario. There are no financial incentives, certainly, and it is not easy to bring graduate students to Ontario. Yet many of those people, as we know, would end up staying in the province and contributing to its economic development. Many of these people might return to their country but then become really key collaborators, key partners for Ontario in their area of science and innovation. We should not discourage those people from coming to Ontario, as we have for the last several years.

We also need similar incentives to retain the science and innovation leaders that we currently have in Ontario. I can tell you from where I work that it is a constant struggle. Practically every day of my life now, I am being faced with people in my university who say, "I'd love to stay here, but I am getting great offers," from the US, in particular. "They're offering me not only a great salary, but they're also offering me great support for my research." It's very hard to resist. They ask me, "What can you do for me?" What we can do for those people right now is quite limited. Certainly, it breaks my heart to see those people in whom we have invested, in terms of their education and training, leave our province to go and contribute to economic development south of the border. We really need to have programs to make sure that we don't lose those people who are really the leaders and la crème de la crème.

Another particular challenge that we have in this province, of course, is that enrolment in our universities continues to increase every year and, as you know, we will be facing a double cohort a few years from now. We do have to recruit many more faculty members, and as we are doing so, we are recruiting in an incredibly competitive market right now, particularly in the key area of science and innovation.

The second element in the budgetary strategy is to make sure that we have in place good programs to support those individuals who are so important for science and innovation when they are with us. We have a very rich suite of programs currently in the Ministry of Energy, Science and Technology. What we do need, though, is to make sure that we replenish those programs; because of the fact that they're rich programs, they also have a higher-than-expected uptake, and at the moment it is projected that their budgetary allocation will not be sufficient for the programs. In fact, they will expire before the anticipated time horizon. We need to make sure that we keep those good programs working.

In particular, in the Ontario Innovation Trust, we know that we're going to be running out of funds if we don't replenish that fund. It's a very important one, particularly because it has a very high leverage potential. So it's important that this fund be replenished. Also, it is important for the mandate of the Ontario Innovation Trust to be expanded so that it can also provide support for operating use of the infrastructure that the province is investing in so that we can make sure that these infrastructure investments are maximized.

We are also suggesting additional funding for one very good program, the Premier's Research Excellence Awards program. It's a wonderful program that recognizes and supports young faculty members in our universities. It has been enormously successful. Many of these young people have said that they wouldn't be here in Ontario if it weren't for this program, that this is really what makes their work here attractive and possible. We don't have a similar program for more senior researchers. I think this is a very vulnerable area, because many of the people we are at risk of losing are those people who are

now starting to really make their mark. They're very attractive, we've invested in them, and now that they're about to give their return on that investment, they are being grabbed by other provinces and by the US. We need a program to make sure we don't lose those people, because that's a loss not only of good leaders, but also of an investment that we've made.

We have another program in that suite of programs within the Ministry of Energy, Science and Technology that has been very effective, particularly in enhancing the collaborations between universities and industries, and that's the Ontario R&D challenge fund. The suggestion we'd like to make here is to shift the role of government so that it becomes a lead investor in that program. We think it's important for the health of the program, particularly as we are moving to what appears to be a slower economic growth period, that government act as a lead investor and therefore act as the real engine of this program, and an engine of innovation.

The third area is to promote the movement of ideas, discoveries and new technologies to the marketplace and to society. The current assessment of the infrastructure in technology transfer and commercialization in Ontario is not stellar. There are many areas that need improvement, particularly when it comes to the very early stage of that technology transfer and commercialization process. We need to improve that if we want to make sure that those ideas and those discoveries turn into new companies, new processes, new products and new wealth creators.

Where we particularly need help is in infrastructure support to enhance those activities of technology transfer and commercialization in the post-secondary institutions, in universities and in the colleges, as well as in the Ontario centres of excellence.

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Many of our researchers are coming up with good ideas and with technological discoveries, but they do need help, particularly to add value to these technologies before they are ready to be moved to the marketplace or before they are ready to be attractive to venture capital investment. We need to be sure that we have in place the capacity to add value to those discoveries so that they can make their way to the marketplace. Otherwise they will just be left on the shelf.

We also need support for establishing a better environment for training individuals to work in this area. It's a very difficult job right now to attract and to hire people for technology transfer offices in universities or centres of excellence. There are simply not enough people trained in this province and in this country for these kinds of jobs, and yet they are very important ones.

We also need a better networking mechanism at the community level to facilitate commercialization, to network those spinoff companies, those innovators and entrepreneurs, to help them and support them in these activities. We had a meeting recently where we focused solely on commercialization. People were talking and dreaming a little bit about how they would like to see Ontario five or 10 years from now. Something that came



up certainly was that what we in Ontario need are more places that look like Kanata, where you have that kind of a very lively, dynamic community of entrepreneurs and innovators, that kind of network. We need to promote that.

Finally, an area that would be very helpful for us as well is to have in Ontario a program that complements the federal program of industrial research assistance, the so-called IRAP program. This is a program that links spinoff industries with researchers so that they can get help in some of the technological challenges they face at the beginning of their company. It is one of the programs that many of the spinoff companies will cite as being an absolutely crucial element in terms of their ability to survive as a company because they were faced with technological research and development problems. They are too young and not rich enough yet to have the scientific advisors within their company. They need to find that scientific advice, and IRAP is one way that really helps them.

These are the main points. If I can summarize, we think we really need to invest a bit more in terms of putting this province on the map as a science and innovation leader, bringing people here and making sure they stay in Ontario, that they find a place here where they can thrive and, therefore, that they have the kind of support tools to do their work and to achieve their goals and, finally, when they have done so and have come up with these discoveries, that we can move them to the marketplace and that we have the tools, the infrastructure available to us to move them to the marketplace.

You'll see that with our brief we've also included the news releases that were prepared, first, when the Premier announced the formation of the council and then when the membership of our council was appointed. You'll have a good chance to see as well that we do have extraordinarily successful science and innovation leaders who are committed to working for the province to promote science and innovation.

Thank you for your attention.

**The Chair:** Merci, Dr Fortier. We have approximately three minutes per caucus. I'll start with the official opposition, Mr Kwinter.

**Mr Kwinter:** Thank you very much and congratulations on your appointment and on your new organization.

Years ago, when I was the minister responsible for technology, we had a conference with the federal government and all the provinces and there was a recommendation put forward that Ontario endorsed that 2.5% of all government revenues should go to R&D. We had trouble getting many of the other provinces to come on side, but certainly that was a goal that was supported by the provincial government.

Have you done any research to see if we're meeting that target?

**Dr Fortier:** We are currently doing research in this area. I mentioned our pilot project of benchmarking Ontario, so we're going to be looking at a number of indicators, such as the one that you are talking about, to

see how we compare, not only with other provinces but also with areas, other jurisdictions, that are known as being leaders in science and innovation. We're doing the work right now as we speak.

We've already had a group of people within the ministry who have started to do a comparison with Massachusetts in this area, but I don't have the results yet of this benchmarking exercise. This is something we're intending to do and in fact we're intending to have something that will look like a little report card that we'll update on a yearly basis to compare ourselves with these other jurisdictions.

**Mr Christopherson:** Thank you and, again, congratulations on your appointment.

How often will the council be meeting?

**Dr Fortier:** We're going to be meeting, at the very least, quarterly, and the executive committee will be meeting on a monthly basis. That will be normally through teleconference, the executive group, but the full council quarterly.

**Mr Christopherson:** The budget of the council is what, annually?

**Dr Fortier:** It's half a million dollars.

**Mr Christopherson:** You're the only full-time appointee who's been named to it, or has everyone?

**Dr Fortier:** No. Of the council members, there are no full-time appointees. We have a secretariat that supports us. It will consist of three full-time members. Just to put that in comparison, we're hoping to be a lean but an efficient council. The similar council in Quebec has a full-time chair and a 20-member secretariat. All members of our council are working on a voluntary basis. We were told that we would get pay of \$1 tax-free a year.

**Mr Christopherson:** It's nice to be in a position to be able to offer that. The only thing I would advise, and I don't advise the government often, but don't use your acronym, whatever you do.

**Dr Fortier:** We use it in French. It's COSI.

**Mr Christopherson:** Ah, COSI. Well, that scares me, as a member of the opposition. Thank you very much.

**Mr O'Toole:** Thank you very much personally and, again, congratulations. But more important, thank you and the members of the innovative group of thinkers. Certainly that's what we've been hearing, not just today but all along, was building the whole infrastructure piece, and perhaps I'm repeating, but to respect your input and recognizing what you were really asking for was the government to continue, whether it's the Premier's research excellence awards or the innovation trust and other programs you didn't mention—ATOP, which is access, building the right client group within the academic group, with which you're very familiar, and the strategic skills investment, perhaps funded by a different ministry. But I couldn't agree more.

We've heard the need for supporting what you could call the quality of life, or you could call it a healthy society. I think our collective goal, as well as yours, I'm sure, at the end of the day is sharing that accumulated wealth of the country or province.

If we were to take a specific initiative in this area, could you boil this down and say—I think Mr Kwinter mentioned it—a percentage of GDP or a percentage of the budget? Is there something we could do? Because unless we build that entrepreneurial, innovative kind of culture, we just aren't going to be able to tax everybody to death to pay for these things that aren't accountable. What would you give us as your most prominent piece of advice?

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**Dr Fortier:** I think we have to have a very coordinated and comprehensive approach. One of the things I did not mention, because we're still doing work in this area, is the whole issue of promoting science and innovation from day one, basically. We need to start in daycare, kindergarten, primary school and secondary school—all the way. This kind of culture, which is really the foundation of economic and social prosperity, has to be a culture that permeates all of our society, and it starts from day one. That's where we need to put a lot of work.

Right now, I would say that the biggest challenge we see is in attracting and retaining the leaders of science and innovation. They are in high demand. They are incredibly sought after. They are being courted; they are being made incredible offers. This is what I think is the biggest challenge that we have now: to make sure they stay in Ontario, that they come to Ontario and stay in Ontario, because without those leaders we will not get there. We need those leaders to serve as promoters, role models. We need those leaders so that their influence makes its way right through to the primary and secondary schools, all the way to commercialization in the marketplace. If I were to name one thing that I'm particularly concerned about, it is that one.

**The Chair:** On behalf of the committee, again, thank you very much for your presentation this afternoon, and bonne chance.

#### ONTARIO AGENCIES SUPPORTING INDIVIDUALS WITH SPECIAL NEEDS

**The Chair:** Our next presenters this afternoon are representatives from the Ontario Agencies Supporting Individuals with Special Needs. I would ask the presenters to come forward and state their names for the record, please. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Ms Mary Frances Taylor:** Thank you very much, members of the committee, for agreeing to hear us today. This is a new venue for the OASIS agencies, so we hope that our presentation is of use to you. If there is additional information that you need, please speak up and we'd be happy to provide it.

My name is Mary Frances Taylor and I'm a vice-president of OASIS. The other presenters with me today are Cathy Wood from Ottawa-Carleton Lifeskills, and David Ferguson from the Ottawa-Carleton Association for Persons with Developmental Disabilities. Dave is going to hopefully work the slides for our presentation.

OCAPDD's treasurer was hoping to be with us today, so he may join us in a few minutes.

**Mr Patten:** Mary, is this the same as the hard copy?

**Ms Taylor:** Yes, it is. We can probably do at least the first page. That just tells you what OASIS stands for. It's an acronym for Ontario Agencies Supporting Individuals with Special Needs. It's a province-wide association and there are 76 agencies that belong to OASIS. These agencies provide services and programs for intellectually handicapped adults and children.

One of the OASIS missions is to work with government to improve the development of cost-effective quality supports for individuals with intellectual disabilities. All of the OASIS members, all of the agencies, are in the business of directly delivering services or supports to intellectually handicapped people and their families. Basically, they are all transfer payment agencies.

**Ms Cathy Wood:** The individuals we serve are really quite limited and impaired intellectually. We refer to them as developmentally disabled, but we formerly knew them as mentally retarded. The causes that have put them into this category, if you will, are genetic difficulties, birth trauma, illness and accident and a host of other things that may have happened during their lifetime whereby they need this type of support.

They require a wide range of supports to live in the community. Flipping through to the next page in front of you, the individual needs are quite sophisticated and we have seen that over recent years they're becoming more and more disabled. People who require total care may be using G-tubes or J-tubes for feeding, with special diets; many of them require sophisticated medical care, psychiatric care, many of them with dual diagnoses; many need behavioural interventions, are physically disabled and have geriatric needs as our population is getting older.

**Ms Taylor:** In terms of the services that are provided for the intellectually disabled, this is really what the OASIS agencies do with their tax dollars. I think it's important to remember that every one of them is an instrument of public policy in Ontario. OASIS agencies are social service agencies and they deliver publicly funded and regulated services. Those services range from residential care, where we operate group homes, supervised residences, apartments that may have one supervisor for a number of apartments for our clients, to approved home programs and supported independent living for those clients who can live on their own but require someone to check up on them every once in a while and see how they're doing with their finances.

We operate day programs and supervised contract work programs, which you often hear referred to as sheltered workshops; supported work programs, which our higher-functioning clients have; and programs that we hope will lead to the clients being able to get independent employment in the community.

It's important to also remember that all of these programs require the OASIS agencies to be owners and operators of real property and to have capital equipment. All of these agencies are employers with all of the re-



quirements that go with managing property and managing staff.

As I've said, some of the programs are quite straightforward, but others can include specialized programs because many of our clients have complex medical needs and psychiatric diagnoses, so that means that our staff have to be able to administer medication and able to respond to the needs of the medically fragile. The reason we're telling you this is that when we get to the staffing aspects of our programs, you'll see that we can't just hire anybody; we have to be careful about who looks after our clients.

Basically, our agencies are responsible to the disabled individuals they support, to their families, and to the community, and most of them report to volunteer boards of directors. The boards of directors are accountable, of course, to the Ministry of Community and Social Services.

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So that's what we do, but sadly there's many things that we are unable to do. That's really why we're here today, to tell you what we are unable to do for clients and what concerns that is causing in the sector.

We have right now in Ontario very long and growing waiting lists for services. One province-wide estimate is that there are about 8,700 persons who are not being served at this time who are waiting for services of one kind or another. Our existing programs are in fact serving more individuals than they are funded to serve but the agencies have tried their best to serve the community as best they can.

Another serious issue for our sector is the lack of support for aging parents. We have a number of parents across the province who've cared for their developmentally disabled children at home rather than send them to institutions or send them into programs. Now, as they grow older, they're looking for programs to help them to manage to get some respite care for themselves but also for long-term assurance that care will be available after their death. We find this is a very serious concern. A number of parents who are in their 60s, 70s and 80s who have a developmentally disabled child say, "What is going to happen when I die?" That we have no answer for at this time.

In terms of the agencies themselves, many feel that they cannot deliver any longer the services that they've been mandated to deliver. They cannot operate within their current funding levels. Almost all the agencies across Ontario are operating in deficit positions and have been for a number of years.

The agencies cannot recruit, retain and train staff, and that is the major crisis that we have come to talk to you about today.

**Ms Wood:** There are some causes for this, of course. We have been experiencing reduced funding levels for over 10 years now. One provincial estimates study has shown funding levels have reduced by 6.5%—lower today than in 1991. However, most agencies actually

have done their own estimates of this and think it is actually quite a bit higher than that.

While this has happened, we have been experiencing increasing costs at the same time. The cost of staffing has become so much of a difficulty for us, we really are in a crisis at this point where we literally cannot cover shifts at our group homes and in our day programs for our most disabled people. We have had no cost-of-living increases, or COLA, no adjustments in this area since 1991, so as our costs for fuel and other occupancy costs have continued to rise we have not had revenues to match those costs. It has put us in a very difficult position.

Increased statutory employer costs have been levelled on organizations in the last couple of years, more so than in previous years, but it has assisted in the mounting stress on organizations; such legislation as pay equity when we haven't got the money to pay the employer statutory costs of 1% related to that. Additionally, we haven't got the funding that has been basically attributed to that legislation. And we have all experienced huge premium increases in the area of WSIB, Workplace Safety and Insurance Board expenses.

What has been happening is that the quality services depend on commitment and skills of a qualified direct care staff in order to deliver services to our most fragile individuals. Our services are highly labour-intensive at a front-line level or direct care service level, and on average 80% of our agencies' budgets would be attributed to direct care staffing.

Our association, OASIS, has done a provincial recruitment and retention survey which we just finished in October 2000. The survey was directed to not just management personnel, human resources and agency executive directors and boards, but front-line staff, those who have remained in organizations and those who have since left organizations. We felt that it was quite broad in its scope.

The findings are rather alarming:

Seventy-one per cent of all programs for the developmentally disabled now operating in this province are operating with less than full-time staff complements. So we're going short-shifted, if you will, in our group homes and day programs of whatever varied type.

Thirty-seven per cent reported that the needs of their clients, the disabled people, are not being fully met. We believe we are at risk of major accidents and injuries to our clients as a result of unqualified staff and not enough on shift.

Forty-nine per cent of agencies have lowered their recruitment standards and are now using unqualified staff. This is a dangerous position for us to be in when we're talking about J tubes, G tubes—all kinds of total care individuals who otherwise would be at the expense of living in hospitals or other facilities of that nature. Our per diems are considerably less in group homes, for example, than many of the other health care service providers' costs would be.

Seventy-two per cent reported overworked, stressed and burned-out staff. Agencies frequently have been

forced to breach statutory employment standards. It isn't unusual to interview an organization that has had staff work double, triple and quadruple shifts in order to cover the needs of their clients. There simply are not enough staff out there who are interested in working in the kind of field we currently are in.

Sixty-nine per cent of our agencies had increased staff turnover. Here in Ottawa alone I'm aware of organizations that have had 44%, 46%, 50% turnover in their staff in less than a year's time.

Sixty-three per cent of the organizations responding reported urgent needs for staff training. That really goes hand in hand when you have tremendous turnover and you're having difficulty finding qualified staff.

Fifty-seven per cent of agencies, as a result of all these stressors, have reported an increased use of sick time, resulting in increased overtime and other costs related to relief staff costs and, of course, increased insurance premiums.

Most troubling, 100% reported an increase in work-related injuries to their staff. I think it's clear that we are in a very bedevilled position. Our local colleges are reporting to us that they're unable to attract full recruitment at the student level into the developmental service worker program, the social services worker program, the early childhood education program and programs that serve people in our community.

A recent KPMG study showed a salary/wage differential of approximately 25% to 30% less for staff in the developmental services sector compared to employees in the broader public sector who are serving the same client population. We in Ottawa-Carleton have done some surveys of our own, secondarily to the province-wide survey, and we have found these figures to be absolutely correct.

We have a staff turnover rate of over 22% across the province. I mentioned earlier that it was to a greater extent in many of the urban centres. Certainly it is in Ottawa, Toronto and Windsor. Some of the larger cities across the province have experienced a turnover much greater than the 22% average.

As an example, within Ottawa there exists a wage gap of \$9 per hour between organizations that are actually doing the same kind of work. This was determined through the survey we did last summer. Some organizations are paying their staff around \$10.50 per hour—and that would be a university degree or college diploma program—right through to now \$19.25 per hour, which creates tremendous difficulty in terms of competition in recruiting staff to do the same work here in our own city. The same story is true across the province.

Within Ottawa, as I mentioned earlier, some of us are experiencing a 50% turnover and are very leery of the difficulties we are having in delivering excellent services, or even close to excellent services, to our front-line folks.

1640

**Ms Taylor:** This situation, of course, hasn't come upon us overnight. Those of us who are on boards of directors have been living with it for a number of years,

and we have been doing things to try to adjust to the funding problems we've had. Certainly we've reduced staff; we've reduced the management and administrative staff first, and then when we've had to we've gone into direct-care staff. We have economized, rationalized and minimized our services. We've tried to strip our administrative costs to the bone. We have certainly deferred staff training. We have very often deferred repairs to our property, repairs to the vehicles we operate, and we've not been able to do any expansion, even though there has been an increase in the number of people looking for services. We have increased our efforts to raise private funds, and that, of course, always seems to be an easy answer: go out and do more fundraising. But it's not always easy in some of the communities where the OASIS agencies are found.

So we have come to what we feel is really a major crisis in this sector. We know that of course you've got many people coming to you looking for funds at budget time, but we really felt that we had to bring this to your attention because this is a population that's not popular. It's not an easy cause. We don't ever want to feel that we're in competition with others who are looking for funds from you, but please don't forget that we are here.

Funds, we feel, are urgently and immediately needed to address staff salaries. We must do something immediately about that 25% to 30% wage gap. There must be significant base funding increases to address the community needs. Those three issues that we feel need to be addressed are: the long and growing waiting lists for services in communities in Ontario; we need to address agency operating deficits; and we need to do something about the needs of aging parents of developmentally disabled adults and children.

Thank you very much. That's the end of our presentation. Mr Doug Ward has joined us. He is sitting over here to my left.

**The Chair:** Thank you very much. We have approximately three minutes per caucus.

**Mr Christopherson:** Thank you for your presentations. I just wanted to go back. I'll start with the adult children and that concern. I've had that in my constituency office. I've had parents come in, both individually and city-wide groups, saying, "What are we going to do? We don't expect to be here in 15 or 20 years. We're not independently wealthy; there's not enough in our private wealth to sustain this kind of service." I jotted it down when you said that you don't have an answer for them at this time.

As I understand it, this is different from the historical context, because it has only been the last couple of generations where we've recognized that the ability to keep an individual at home benefits the family, benefits the individual and can be cost-effective. What happens now, while we're still on the edge? You say, "We don't have an answer at this time." What happens? Do they just go into an institution? What happens to individuals right now, without plans, while we get caught up with it in the bulk of the people, with the boomer generation still being



a bulge of population? It has still got to be happening to individuals. What's the reality right now, as we speak?

**Ms Taylor:** I'll maybe let Dave or Cathy answer as well, but my understanding is that the reality is that the parents are doing the best they can, and they are taxing themselves. Their own physical health is suffering. Occasionally, they are able to get relatives to come in, but basically they are just doing the best they can. We heard stories of 80-year-old parents who are driving their adult children 30 or 40 miles to a day program.

**Mr Christopherson:** I was seeking the scenario where the parents have passed away and the adult child is 55 years old, 50 years old. What's happening? What happens in that case, where there's no family money, no family attachment, the parents die and the adult with the disability is there? What happens right now?

**Ms Wood:** If there isn't a next of kin to pick up the responsibility, an organization called Service Coordination—I'll use the example of Ottawa—will try to refer that person to one of the current organizations. The difficulty is that they're really at a stalemate in having to go to the province and ask for special monies, not well-planned for, unfortunately, to serve those individuals, and it generally ends up at a higher cost.

When we know these people are there and we can plan for them in advance and we know their names and we know everything about them and we know their situation is in dire straits, it is far better for us to get at that planning and do something about it than to have them picked up in a crisis position, when they are put wherever there can be found a space or an expanded space.

**Mr Christopherson:** The answer is that it's ad hoc, do what you can.

**Ms Wood:** It's ad hoc, do what you can. Most often, they'll move from one parent to another member of the family. As Mary Frances said, and certainly my own experience is that most of the new referrals that I received last year—in fact all of them—came to our agency in crisis, and all of them were from parents who were 80 years or better.

**Mr Arnott:** Thank you very much for your presentation. I'm concerned, like you are, about the issue of aging parents with children with developmental handicaps and how we can help them, provide reassurance that once they are no longer able to look after their children there will be something there for them. We heard about this issue in Toronto before we came here. There was some reference to the fact that the government had allocated about \$50 million, if I'm not mistaken, to help solve that problem. But I understand it wasn't even close to meeting the need in Toronto. Have you quantified the degree to which you need resources in Ottawa? How many families do you have waiting for this kind of help?

**Ms Wood:** There are 250 individuals in Ottawa now waiting for services in either day programs or residential.

**Mr Arnott:** I'm not authorized to speak on behalf of the government on this issue, but I want you to know that there is a considerable number of members of our caucus who share your concern and would like to see this issue

resolved, so we will be taking it forward on your behalf. I want to thank you very much for your presentation.

**Mr O'Toole:** You mentioned two important things. Currently, do you have a deficit, and what is it? That's the first one.

**Ms Wood:** My own agency's deficit is about \$250,000.

**Mr O'Toole:** That's an annual deficit?

**Ms Wood:** No, that's cumulative. I'm operating this year with \$160,000 to add to that.

**Mr O'Toole:** I have just one last question. You mentioned also the wage crisis. I'm not in any way in contradiction with that; I just want to understand. Between \$10 and \$19, where do you fit on that scale yourself?

**Ms Wood:** My own agency has recently received an increase as a result of a labour action under HLDAA legislation, the hospital-arbitrated legislation. So we have moved up to \$18.90 from \$14.40. We were one of the lower-paid agencies until that time. The funding has not been secured. It's a matter of some fiscal—

**Mr O'Toole:** You'll carry it as deficit.

**Ms Wood:** Yes.

**The Chair:** To the Liberals. Mr Patten.

**Mr Patten:** It sounds like you're in dire straits. What is the overall number of how many people are served? You've got a waiting list here of 8,700. How many people do you serve across the province, all these agencies?

**Ms Wood:** Richard, we actually tried to find that number out, and we were not able to find it out. What I can tell you is that it's greater than 1,500 who are being served here in Ottawa-Carleton, with about 500 on the waiting list yet. I don't know if you could do a pro rata across the province in terms of an extrapolation of those numbers—probably not—and have it correct. We were unable to find out the exact number of people receiving service across the province. We were afraid you might ask that question.

**Mr Patten:** A ballpark figure of 50,000 or something in that neighbourhood?

**Mr Douglas Ward:** It wouldn't be at all surprising if it was more than that.

**Ms Wood:** I think probably more than that.

**Mr Ward:** Very likely more than that.

**Mr Patten:** Anyway, there's obviously a crisis here. Has the auditor general approached you on any of this? Have they looked at this area? Are you aware of it?

1650

**Ms Wood:** Not that I'm aware of.

**Mr Ward:** The Provincial Auditor?

**Mr Patten:** Yes, the Provincial Auditor.

**Mr Ward:** The Provincial Auditor has commented in the past on the administration in the sector, but the Provincial Auditor, to the best of my knowledge, has not approached individual agencies or somebody like OASIS representing the agencies.

**Mr Patten:** I have lots of questions but one is on pay equity. Many of these organizations are providing services that the government has mandated and are acting on behalf of the provincial government but are then forced

to pick up the costs of pay equity. In order to pay for the pay equity costs, they must take from other parts of their budget, with no additional support from the provincial government, even though the provincial government is the one that is dictating that the pay equity should be implemented. Is that correct?

**Ms Wood:** That's correct.

**Mr Patten:** What is the significance of that in terms of general dollars or ballpark figures for your agencies? I'm aware it cuts across many sectors.

**Ms Wood:** I believe it's in the range of about 1% of statutory costs the employer would pay of pay equity. So, for example, if \$100,000 was received, the employer would have an expense relative to the statutory costs. I think I'm incorrect on the 1%. I think it's actually significantly greater than that. I know our own agency's costs are in excess of \$70,000, cumulative. Before I ever start budgeting, I'm in trouble \$70,000 just with the subject of pay equity.

**Mr Patten:** So you probably have to cut staff and cut programs in order to keep certain staff.

**Ms Wood:** Continually.

**Mr Patten:** You continue to operate with fewer services and less staff to do the job.

**Ms Wood:** That's right, to still operate outside of the statutory requirements of an employer.

**Mr Ward:** If I might comment very briefly in response to Mr Arnott's reference to the \$50 million, yes, indeed, there was an additional allocation of \$50 million. There were a number of purposes attached to that \$50 million. The problem of aging parents was one of them. It was not devoted exclusively to that topic. There were other specific targets in the developmental service sector.

**Mr Arnott:** That's why I was asking the question.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

Our last presentation, and I know it's been a long day, but it's only half an hour, is from Child and Youth Friendly Ottawa. It's my understanding that the presenter is here but he's just stepped out. We'll take a recess to find our bearings.

*The committee recessed from 1654 to 1655.*

## CHILD AND YOUTH FRIENDLY OTTAWA

**The Chair:** On behalf of the committee, welcome. Could you state your name for the record. You have 30 minutes for your presentation.

**Mr Marc-André Belair:** My name is Marc-André Belair. I was the federal Progressive Conservative candidate of record for Ottawa-Orléans.

I'd just like to wish you a good evening and thank you, Mr Chair. It's my pleasure to be able to stand before you today, or sit, in this case. I was asked by my esteemed colleague, David Millen, of Child and Youth Friendly Ottawa, to speak to you today about the lack of youth representation in our decision-making processes.

There seems to be a certain cynicism among youth these days concerning the adult world. They have lost

faith in our system. They feel as if they have no say, no means to express their dissatisfaction. When young people are unable to express their dissatisfaction through conventional means, they will often revert to means that are not socially acceptable. They will throw rocks. But this rock carries a message of suppression and frustration.

So how do we prevent our young people from throwing such rocks? Although there is no easy answer, many would suggest putting more police on the streets. This may be effective to a certain extent, but this measure could be seen as draconian and perceived as a further suppression of our young people's message. There is no easy answer.

However, some options do exist that would empower young people, that would give them a sense of control and a feeling of pride in their institutions. The option that I'd like to present to you is the concept of youth representation in our political processes.

I must commend the committee for allowing a few youths, such as myself, to sit on this panel today. However, I still get the impression that there is a certain amount of tokenism in these sorts of consultative processes. The government of Ontario must make a habit of encouraging young people to stand before and even sit on committees such as these ones. Young people will be the ones taking over this country. Does it not logically follow that we should encourage them to get involved while they are young so that they have a chance to develop a sense of ownership and pride in their institutions?

It's a shame that our society supports the misconception that young people are not capable of making a difference. If anyone thinks that, they're wrong. Young people have the capacity to do some incredibly amazing things. Unfortunately, they're not given the chance and freedom to really shine. We don't give them more than a token place at the table.

If we actually listened to what young people had to say, instead of telling them what to think, I would not be too surprised to hear of young people not only getting involved but demonstrating the fervour and zeal that only young people can exhibit. But I can also see that their fresh point of view would provide a unique and refreshing perspective on issues that you are all here to examine.

I encourage the standing committee on finance and economic affairs to consider my suggestions in your future deliberations. It has been said many times that young people are our future and it would be truly a waste and a shame to waste this precious resource of talent and young thinking. When deciding on matters of economy and finance, I encourage you to offer young people more than just a token place at the table, but instead a real opportunity to express their views and to effect change in a system toward which they have become jaded. Thank you.

**The Chair:** Thank you. We have about eight minutes per caucus and I'll start with the government side.

**Mrs Molinari:** Thank you very much for your presentation and for taking the initiative to come forward. I'm a little disappointed at your cynical view of young



people. As a mother of two boys, 25 and 22, I certainly value their opinion and their forcefully putting their opinion forward every chance they get. Within a number of our offices there are a lot of young people who contribute quite extensively to a lot of the decisions and input that we have.

In your presentation I didn't hear any recommendation or any specifics that you would see that we could do as a government that would respond to some of the concerns you've expressed here today. Can you tell me about some specifics that you would like to see implemented or initiated that would address the concerns you've expressed?

**Mr Belair:** Certainly. I would certainly encourage the government to get more young people on board, such as these. There doesn't seem to be an active solicitation of our young people in terms of getting them out and expressing views, especially marginalized youth. They are often forgotten in our system. We just don't tend to value their opinions. I do agree that the government has taken many steps to help and bring forward some more young people. Yes, there are some examples of young people, such as your own children, who will get out and actively solicit.

1700

But the problem is that most young people do not know where to go and there just needs to be more active participation on behalf of our decision-making entities to really show young people that there is a place for them at the table. A lot—and I do mean this based on my experience as a mayoralty candidate and as a federal Progressive Conservative candidate—of young people who talked to me said, "You know, it's great what you're doing but they're just going to look down at you and say, 'Ah, he's young. He can't do anything.' You'll be offered a place at a table every so often but no one's really going to listen to you." I think that's the overwhelming opinion of a lot of young people.

I would like to see the government encourage more young people to speak at these sorts of hearings. I know they are open to the public but young people really don't know where to access these kinds of committees.

**Mrs Molinari:** How would we do that? How do you see us encouraging, because these hearings are put on the Web site, they're published throughout. How would you see us doing that—actually reaching out to the youth and young people?

**Mr Belair:** I think there needs to be some awareness campaign implemented. You won't see very many 15-, 16-, 17-, 18-, 19-year-olds who really are marginalized go to the government of Ontario Web site and actively look for a committee that they can speak on. They just don't know where to find this information. A lot of these young people just go to school, if they're lucky; they go to university if they're lucky. Otherwise, they fight for their existence. So I would suggest that there needs to be some sort of awareness campaign in order to get more people involved.

**The Chair:** Mr O'Toole.

**Mr O'Toole:** Thank you for being here today, because you're speaking exactly toward the issue you're

raising, so I'll give you credit for that. I would encourage more young people to do it. I really quite genuinely mean that.

As a parent with five children, all of whom I believe have been somewhat animated—and I've been somewhat aggravated, I suppose—but no, you have to somehow change the scales and that's by sometimes provoking.

I would say, without trying to turn this into a political thing, the requirement of having a school trustee be a youth is one initiative. Some say, and I don't mean this but it's been said to me, that it's a sort of a token thing. I know the trustees in my area are a force to be reckoned with, specifically on the lack of extracurricular activities. They've been the only sane voice. In fact, they've carried it rather dramatically, I might say, to the streets. I can't say I encourage dissent, but they did get my attention right in front of my constituency office.

There's a number of programs: the summer youth employment opportunities, an extremely important Web site for that for young people. It's a huge initiative and commitment by the government.

Another one: today is the last day for high school students to apply to the Lieutenant Governor's awards, an internship I believe for—I forget how many students. That's also on the Web site.

I think all parties tend to recognize the importance of all of these things we're talking about: education, young families, Ontario's Promise program. I think the radar's kind of moved a bit.

The research council mentioned attracting and retraining our youth. Several presenters today mentioned it and I, for one, thank you for being here. Keep up that kind of diligent, responsible, mature presentation stuff. I personally think you are being listened to. Thank you.

**The Chair:** Mr Kwinter.

**Mr Kwinter:** Thank you very much for your presentation. I welcome your comments. I don't agree with a lot of them and I want to give you a few examples.

Probably 20 years ago, a young man was elected mayor of Brockville. The youngest mayor in Canada, he was in his very early 20s. He was elected mayor.

I used to be the vice-president of the Ontario College of Art and we instituted a unicameral system of government. It was the first post-secondary institution that had students on their governing council. That was 20-some-odd years ago.

Every political party has a youth wing. Every riding association, when they send delegates to their conventions, have to send a fixed quantity of youth—that's mandated.

If you take a look at our page program at Queen's Park, we have grade 7 and grade 8 students getting an opportunity to see the government in action, and from that we have lots of young people who, because they become sensitized to what's going on, become involved. There are a whole range of things like that. All you have to do is take a look at the Globe and Mail this morning. There was a 12-year-old on the trade mission to China with the Prime Minister. He's an entrepreneur at 12, and he's on that program.

**Mr Patten:** He lied about his age. He was 11, actually.

**Mr Kwinter:** What I'm saying is that the issue you are addressing is not exclusive to youth. There are lots of adults who don't get involved, don't know how to get involved, don't make their presence felt. So as I say, I welcome your input and I welcome whatever you can do to get young people involved, but I can tell you, don't sell short the young people who are out there. There are some fabulous young people out there doing incredible things.

I just finished reading a book—I haven't quite finished it—called *Sale of the Century*. It deals with Russia and it talks about these oligarchs and how these people become billionaires. The most incredible thing, when I read it, is that they're 23, 24, 25. They had been suppressed for so many years that finally, when they had the opportunity, they just went for it—mind you, they got into lots of problems because they literally expropriated everything, but they were young people. What I object to—and as I say, I don't mean this in a negative way—is I think you're not giving the young people as much credit as they deserve.

**Mr Belair:** I will agree with you that there's a handful of people out there who are doing some really spectacular things. Unfortunately, it really doesn't account for the growing feelings of disillusionment and cynicism that young people are expressing today. You see a few examples of people doing spectacular things, which is great, but they account for even less than 1% or less than 0.5% of our young people. These people tend to come from privileged backgrounds; they tend to have high scores in high school and in university. We're not talking about the average student; we're not talking about the average youth here. That's what I'm concerned about. I'd like to see more average people getting involved—and I don't mean the term "average" in a derogatory fashion or anything; I just mean people who don't come from privileged backgrounds, whose parents aren't in the upper-income brackets. These are the young people we need to engage, because these are the young people who are suffering the consequences of mismanaged government dollars.

**Mr Patten:** You've talked about youth. I presume that's sort of the teenage group and up. Could you talk a little bit about the organization you represent in terms of Child and Youth Friendly Ottawa? I think there's a concept there that you haven't shared yet, a pretty neat concept that has been catching on throughout the city and the area and that the members would be interested in hearing about.

**Mr Belair:** I believe Alexis will be more adept in answering the issues on Child and Youth Friendly Ottawa.

**Mr Alexis Carty:** My name is Alexis Carty. I work for Child and Youth Friendly Ottawa as a coordinator.

To put it in a nutshell, we've always had a very difficult time describing what Child and Youth Friendly Ottawa is. One can literally say that's what it is: it's child- and youth-friendly. We try to ensure that Ottawa

has a child- and youth-friendly city. We believe—and I'd like to think this is represented here in this room as well—that the health and welfare of a child or a young person is directly related to the health and welfare of a province. One can easily judge a province by seeing how socially well-adapted their children are, how employable their youth are. It's one of the things we try to ensure, that this city as a whole comes together and works toward community engagement. I think that's pretty self-explanatory, but I wouldn't mind breaking it down.

In community engagement, what we're really hoping to see is a lot of businesses taking it upon themselves to work directly with youth, to see a lot of adults, such as yourself, Mr Arnott, work with youth directly. The key here, we find, is that children and youth tend to have the feeling, as you so aptly put earlier, that a lot of people are not paying attention to them. They feel a lot of people don't care about how they feel or about their direction or future until it's too late.

1710

I know the government on the whole has placed a lot of money toward at-risk youth, and rightly so, though I feel one of the things Child and Youth Friendly Ottawa seeks is to have any kind of money that could be directed, placed toward more well-adapted children—we have no problem whatsoever representing "well-adjusted" children as such. What we're gearing to see is that more money is placed toward mentoring programs, sports camps, YMCAs, boys' and girls' clubs—initiatives of that nature—for this is where your community leadership comes from.

Mr Kwinter talked about the 12-year-old who went abroad on that trade mission. I think that's incredible. I look at people such as Craig Keilburger as incredible. But when I think of that as incredible, I think, "Shame on me. Why should that be incredible? Why should that not be the norm?" I continually see bright people around me, and I have a feeling that when you were young men and young women you probably thought of yourselves as fairly bright with ambitions and goals and dreams, and we like to see them all come to fruition. To see that come to fruition involves community engagement. It involves all of us coming to the table—which is a lovely quote; it's one of my favourite ones, by the way—and breaking bread and understanding what we need to see happen. We don't want youth—everyone's children, everyone's youth—to be viewed as a special-interest group, not in the least, because they're not. Seeing them raised to become socially adaptable, to become employably viable is everyone's responsibility. Let's be realistic. They're going to be paying for our futures. They're going to be taking care of all our debts. We need to make sure that these are the type of people who have a future, something to be proud of, something they can grow up with.

Child and Youth Friendly Ottawa—and I'm sorry I kind of got off topic a bit, Mr Patten—is four years old. It started in 1997 through the vision of some workers from the children's aid society, Mr David Millen, and through the help of Max Keeping and the Catholic school board.



What Child and Youth Friendly Ottawa has sought to address is the growth and development and the health and welfare of our children and youth.

Toward that end we've been working on a number of government initiatives and local business initiatives—a program such as Youth 2000, where we help youth find jobs in the Ottawa-Carleton region, not by creation but by convincing employers that the next person they should hire should be a youth, making them realize that that 16-to-24-year range is an exceptionally exciting time to be working and to have that kind of energy and catalyst behind your organization is strong.

**The Chair:** Thank you very much. We've run out of time. Mr Christopherson.

**Mr Christopherson:** Thank you both very much for your presentation. The first thing I want to say is that both of you are making me feel really old, at a point when I'm very tired at the end of the day.

I have a couple of thoughts and maybe a question. I heard two presentations. One was sort of about the process of Parliament and having representation, and the other was more directed toward the specifics of where you think the emphasis ought to be in the next budget.

I'll take one of your last points first, if I might, when you talked about hiring a young person. I'm sure you can appreciate that an employer would hear that argument and would also receive pressure to hire an older worker who may be caught between being too young to retire and not able to continue in the job they were in. There's pressure to try to give them employment to get them to 60 or 65 until they can hook up to their pension.

There's good reason for an employer to respect that pressure if they can offer someone an opportunity they wouldn't otherwise get so they're not thrown on the social scrap heap at the end of their life either, as opposed to your argument that they're not being given a chance to join in at the beginning. You've got pressure to take a look at hiring a woman where you can and everything else is equal, to take a look at an opportunity to hire a visible minority or someone who has a physical or intellectual disability where you can and everything else is equal. There are a whole lot of pressures on employers and on society. If you want to comment on that, I'd appreciate it.

The other thing I would ask you is on the budget itself. Given that you're here and have certainly made your case that there is a perspective that is not being represented as well as it could be, what do you think would be in the best interests of our young people in terms of how the budget should be shaped?

**Mr Carty:** If I may respond to the former of your statements, I believe the pressures are very great on society. I don't, however, believe the pressures are very great on businesses. Businesses really tend to feel they'll hire who they want to, who they need to, quite evidently who they feel is the best for the job, actually maintaining some basic biases as well with regard to what youth could possibly bring to the table. Again, when people hear "youth," they think of the media images that have

been conjured up thanks to MTV, thanks to certain productions on television. They have a conception of what youth are.

I clearly feel it's in the government's best interests to see youth portrayed in a different light, to have youth envisioned in a more profitable way toward everybody, because youth do bring so much; it's not even funny. I think of the number of stories and anecdotes I have seen and heard since I started Child and Youth Friendly Ottawa. A classic example is about an 18-year-old who couldn't get into Sheridan College for graphic arts. They just felt that his development wasn't that strong, his marks weren't that strong. However, he was able to find a job working here in Ottawa pulling in close to \$95,000 a year. Now, Ottawa is quite unusual in that respect because we have more young millionaires than I think anywhere else per capita in the world. Ottawa's very unusual, so I wouldn't want Ottawa to be viewed as the norm for Ontario.

**Mr Christopherson:** Nobody sees Ottawa as normal, trust me.

**Mr Carty:** I imagine not. To the latter of your statements, I really feel that—and I stated this before—an effort this government could really, truly make to make a strong impact and send a message is to clearly take youth seriously, to place a lot of emphasis and concern on their issues—issues such as basic safety, places where they can play safely, places where they can gather safely, places where they can share with like-minded people safely. I don't think I'm repeating the word "safely" too much, because it really is a strong word which we need to bear in mind. By putting money toward that end, to seeing, say, a boys' and girls' club grow and develop, to see, say, a Child and Youth Friendly Ottawa offer new and exciting programs to other organizations, to see basic schools have opportunities to extend themselves so teachers can go that extra mile they used to back in your day, Mr Kwinter—I'd like to see that come to fruition. I think that's where the government can really step in.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon. Good luck.

**Mr O'Toole:** Mr Chair, I'd like to entertain a motion to allow a couple of young people in the audience from Hastings and Prince Edward Developmental Service Providers—they've sat here all day. I wonder if we could give them five minutes to make their presentation. The bus doesn't leave till 6.

**The Chair:** In order to do it, I need unanimous consent. Agreed? So five minutes? Is that adequate? OK.

#### QUINTE VOCATIONAL SUPPORT SERVICES

**The Chair:** If you could state your name for the record, please. I think you presented us with a written submission earlier on this morning, if I recall.

**Mr Patrick Connor:** Yes, we have, sir.

Mr Chair, members of the committee, this is Tina Warren. She's the president of my board. My name is Patrick Connor and I'm the executive director of an agency known as Quinte Vocational Support Services in Belleville. I thank you for your time and for making time for us here this afternoon.

I have two reports that I'd like to offer you. One we have tabled in written form. That comes from a collective process of board presidents that we have on the go in Hastings and Prince Edward counties. There are some data in the particular report. Some of the comments of OASIS, to which agencies the board presidents' committee belongs—we really reflect some of those crises.

Our agency is a day support service provider. It relies on the residential service providers in our area for clients so that we can do our work. Their pressures are our pressures; we just react to them via a trickle-down mechanism, if you will. They feel pressure. We feel it down the line.

1720

Many of our agencies are arguing that there hasn't been a significant capital infrastructure. That places the residential service providers at risk. It results in the possible curtailing of service.

Where the OASIS agencies from Ottawa represented some, I think I heard 1,500, we've actually absorbed nearly 2,200 people into our community, what with the closure of Prince Edward Heights. We believe in that deinstitutionalization. However, we also believe in the support of community-based operations such as ourselves.

We would suggest, in the data in the forms provided, probably an infusion of about 15% on top of the \$31 million that already flows into our area in order to meet that immediate crisis. That would be our particular request. Certainly, if the members of this committee could encourage the finance minister to listen to the Honourable John Baird when he makes his plea on behalf of our agencies in cabinet, we would certainly appreciate it if they were sensitive to his arguments, because we are passing these along to him as well.

The second part is really what I would like to allude to. There has been some controversy within the social service delivery sector about ODSP, the ISS and ESS component. All I can tell you is that it is a program that offers that mechanism in our community. We have been able, I believe since April 1, 1999, to offer this service to 30 individuals through our agency and we have been able to successfully pass 23 of those individuals through our program to reduced dependence upon social services.

The argument we're making here today is that the area where we could use the support of government, and from all parties, in fact, is the building of better relationships

with our community through our MPPs, to have the help of the government in terms of building bridges to businesses that allow us an opportunity to provide work as an employer, but also to provide employment training. We've demonstrated a success that we're able to educate our client staff, through the acquisition of life skills, to provide them with independent skill sets so they can go out and function at minimum wage or better than minimum wage. We've been able to negotiate with companies for whole production lines, production lines of deaf people, production lines with sporting goods companies, not your usual sheltered workshop type of environment.

I think your comment earlier, Mr Christopherson, was quite right. Of the 118 client employees I have, 57 live at home. If we're able to set them up now through positive relationships with employers and maintain that, then what we're doing is actually providing a reduced dependence in the future on these residential settings, that are already in crisis, promote better independent living, reduce the dependence upon government and improve the quality of life.

My argument would be, don't forget the day support and the sheltered workshop options when it comes to weighing in the balance the needs of the residential service provider. I think what you really need is another viable mechanism that offloads those pressures, in terms of population management. I would encourage that on behalf of the parents within my group who are aging and are facing that crisis. If we can do more prevention now, it's going to save a lot more demands on the system. Of my population, 15% have been in conflict with the law and they've done time in detention centres.

If we can build in these mechanisms, like we have through good relations with the business sector, to provide them with a place to go, whether it's evening work or a morning shift—quite often, evening shifts give families back time that they didn't have before—we're building a stronger family infrastructure. We can build those relationships with business but we need an opportunity to do so. That would be my short sound bite.

**The Chair:** On behalf of the committee, thank you very much for your presentation.

On a personal note, I think it speaks very well for your organization that both of you stayed here all afternoon to take a chance of getting your 10 minutes in front of this committee.

**Mr Connor:** Thank you very much. We've taken a different stand than most of our organizations, but I think the independence of the client really speaks for itself in terms of strategy.

**The Chair:** With this, the committee is adjourned and we'll reconvene tomorrow at 9 o'clock in London.

*The committee adjourned at 1726.*











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## **Legislative Assembly of Ontario**

First Session, 37<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Première session, 37<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

Tuesday 20 February 2001

# **Journal des débats (Hansard)**

Mardi 20 février 2001

**Standing committee on  
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances  
et des affaires économiques**

Consultations prébudgétaires

Chair: Marcel Beaubien  
Clerk: Susan Sourial

Président : Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Tuesday 20 February 2001

Mardi 20 février 2001

*The committee met at 0857 in the Four Points Sheraton Hotel, London.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning everyone. I'd like to bring the meeting to order.

LONDON HOME BUILDERS'  
ASSOCIATION

**The Chair:** Our first presenter this morning is the representative from the London Home Builders' Association. Good morning, and could you please state your name for the record.

**Mr Carl Dinardo:** Good morning, Mr Chairman and members of the committee. My name is Carl Dinardo and I am vice-president of the London Home Builders' Association. I've been a builder in London for almost 10 years, and I specialize in building custom single-family homes. I am a volunteer in the local association and support the work of our provincial group, which is the Ontario Home Builders' Association.

I appreciate the opportunity to speak with you today and I'll make sure my report is fairly brief. You have copies of the full written submission. It was prepared by our Ontario association and outlines in detail some of the points I'd like to make today.

Let me start off by telling you a little bit about the Ontario Home Builders' Association. The Ontario Homes Builders' Association is the voice of the residential construction industry in Ontario. As a volunteer organization, the OHBA represents about 3,500 member companies which are organized into 31 locals across the province. Here in London our local consists of more than 200 member companies. Our membership is made up of all disciplines involved in residential construction, and that would mean builders, land developers, renovators, contractors, suppliers, manufacturers, realtors, lenders, housing consultants, economists, planners, architects, and the list goes on and on. Together we produce about 80% of the province's new housing. The residential construction industry employs approximately 200,000 people in the province and contributes over \$20 billion to the province's economy every year.

As I am sure you can appreciate, a healthy residential construction sector is not only indicative of a healthy

economy in general; it is also a precursor to future growth. Economic expansion usually starts with an increase in housing starts as well as industrial and commercial development. This leads to new infrastructure projects, along with institutional expansion, which provide the necessary foundation for the next generation of economic activity.

Last year just over 186,000 jobs were created in Ontario, and many of these jobs were in residential construction. It's estimated that every average housing start generates approximately 2.8 person-years of employment. Housing starts and renovation spending for the year 2000 were the highest in this past decade, allowing our industry to provide record levels of employment for Ontarians.

Last year our industry contributed over \$20 billion to the economy of Ontario. Construction activity also contributes significantly to government revenues. On average, each new home contributes \$40,000 to \$50,000 in taxes and fees collected at all three levels of government. Based on over 71,500 housing starts last year, that amounts to over \$3 billion in tax collected at various levels as a source of revenue. Add to that tax revenues collected from renovation work, and it is clear that our industry is a major contributor to the health of Ontario's economy.

In general, the year 2000 was another busy year for our industry. Ontario's housing market was healthy and stable, showing a steady improvement. Starts last year were up by 6.4% over the year before. Stability in the housing sector should continue into the year 2001, bolstered by high consumer confidence, a healthy employment market and a solid GDP.

Some of the major highlights for 2000 would include the fact that starts were up across the province with some areas showing very significant gains. Some of the larger increases were found in Kitchener, Ottawa-Hull, Oshawa and Toronto. However, there were communities that experienced decreases in starts. The communities that experienced these decreases included Thunder Bay, Sudbury, Hamilton and the St. Catharines area. Here in London, starts were just over 2,900 homes, which is a slight drop compared to last year.

Multiple-family construction was up almost 10% in 2000 compared to the previous year, and single starts were up about 4%. However, the rental housing construction is still quite stagnant, despite Ontario's robust



economy and incentives brought forth by the provincial government.

One of the contributors to the healthy new housing market in Ontario can be attributed to the success of the land transfer tax rebate program for first-time buyers of newly built homes. Since this measure was first introduced in 1996, about \$106 million in rebates were given to over 78,000 Ontarians to assist them in the purchase of their first home. This in turn contributed to growth in the new housing market. We congratulate the government on making the rebate program permanent in last year's budget and helping to ensure that housing remains affordable for first-time buyers.

Every year OHBA conducts an economic forecast survey of our members and the results of that November 2000 survey are included as appendix A in the submission. Nine out of 10 members surveyed expect sales to increase or remain the same in 2001 compared to the previous year. This optimism is reflected in OHBA's forecast for 2001. We expect 70,000 starts this year, which would represent the fourth straight year of growth.

Renovation spending is continuing on an upward trend, with about \$11 billion spent in the sector last year. We predict renovation spending will climb to more than \$11.5 billion in 2001.

Ontario's economic performance has been impressive over the past year. Low mortgage rates and strong job creation fuelled consumer confidence and encouraged many new buyers into the new housing market.

While generally optimistic, enthusiasm for the coming year is tempered with concerns over labour shortages and rising costs for materials and skilled labour. These increased costs, combined with increasing and new taxes, fees and charges, could hinder future growth.

More than 60% of our members cite increasing labour costs as an impediment to growth in 2001, and almost as many, 58%, are experiencing difficulties in finding skilled labour. The perception that increased building activity correlates to higher profit margins is inaccurate as builders continue to operate under extremely tight margins. Some 44% of our members say this is key concern for them in the coming year. Most of this is due to the difficulties in finding skilled labour and the higher cost for that labour.

Builders and renovators are not in a position to absorb increases in materials, labour costs or further government fees and taxes. The reality is that increased costs seriously hamper industry efforts to provide affordable housing for Ontario consumers. The London Home Builders' Association is fully supportive of the Ontario Home Builders' Association recommendations that are intended to make sure residential housing and renovation markets remain strong in Ontario. For example, development charges and education development charges imposed by municipalities across Ontario continue to concern us. Not only do these charges contribute significantly to the cost of housing in the province; there are serious concerns about municipalities not following the intent of the act, which is to ultimately reduce charges.

As a result, development charges in Ontario have become some of the highest in Canada. The Ontario Home Builders' Association recommends close government monitoring of the development charges and education development charges and even intervention, if necessary, to ensure that the intent of the legislation, which was to reduce costs, is met.

Secondly, excessive regulation and overtaxation on the home-building industry pushes the price of new homes higher and higher and consequently puts home ownership out of the reach of many citizens. The Ontario Home Builders' Association urges the government to introduce legislation that ensures fees are based on a reasonable direct cost-recovery basis and, further, that such legislation allows for an appeal of municipal decisions about fees and level of service. The Ontario Home Builders' Association participated in the work of the business tax review panel appointed by the Minister of Finance and encouraged a thorough review of the recommendations from the panel.

The difficulty in finding skilled labour to meet the needs of our industry is a very serious and complex problem. Tradespeople lost during the recession, combined with a record number of workers retiring, has truly exacerbated the situation. Informing and educating the public about the opportunities in our industry, as well as dispelling some of the negative stereotypes that are associated with skilled trades, is a major challenge for all of us. The Ontario Home Builders' Association recommends the development of co-op programs, perhaps at the high school and college levels, that actually bring students on to job sites and provide them with some hands-on experience in construction and the safety practices associated with the construction sites. We also urge the government to increase school funding for shop facilities in order to run the programs productively. In addition, we encourage the government of Ontario to take an active role in urging young people to consider a career in skilled trades.

Rental housing is in short supply in a growing number of urban centres across this province. Nine regions have a vacancy rate of under 2% and five cities, including Toronto, Barrie, Ottawa, Kitchener and Guelph, have vacancy rates under 1%. Here in London, our vacancy rate has dropped to about 2.2% compared to 3.5% in 1999.

Despite Ontario's robust economy, the reality is that very little new rental housing is being built. The provincial government has undertaken a number of initiatives in the past to encourage the construction of rental accommodations, including most recently, the PST grant program. OHBA recommends the government renew the PST grant program and increase funding for this important initiative to support new affordable construction. A review of program criteria is recommended so that the grants target the intended sector. In addition, OHBA urges the provincial government to review the recommendations from the Housing Supply Working Group and to seek to eliminate any disincentives that

currently discourage the private sector from building rental accommodation.

Many municipalities across Ontario have undergone or will undergo amalgamation. While over 80% of OHBA members support the concept of amalgamating communities, they have concerns about increased costs and delays that are being incurred by builders as these municipalities merge. Therefore, we urge the provincial government to expeditiously supply the necessary funding to newly amalgamated municipalities to ensure a quick, effective merger of building and planning departments and the rewriting of zoning by-laws.

**0910**

Pressure from the underground economy continues to be a major problem for our industry, particularly in the renovation sector. In addition to unfair competition, obviously governments lose out on billions of dollars in lost revenues. Health and safety standards of workers are not likely to be met by underground contractors, and homeowners suffer, with little or no recourse, in the event of shoddy or unsafe workmanship. OHBA recommends that the government work together with the industry to seek out ways to encourage and entice consumers to use the skills and services of legitimate, honest renovators and subcontractors. OHBA also supports the idea of a voluntary registration of renovators and site supervisors, as opposed to a mandatory certification outlined in the recent recommendations of the Building Regulatory Reform Advisory Group, or the BRRAG committee.

Let me conclude by noting that this government has cut taxes almost 100 times since being elected in 1995, and in last year's budget announced a further 67 tax cuts over the next five years. We urge the government to continue on this path that has proven to be successful for Ontario. Let me also repeat that the OHBA and its members strongly support the fiscal policy of the provincial government and encourage the government to continue in the direction of spending cuts and tax cuts.

Mr. Chairman and members of the committee, I'd like to thank you for your attention and interest in our presentation, and we look forward to hearing any comments you might have.

**The Chair:** We have approximately three minutes per caucus, and I'll start with the official opposition.

**Mr Monte Kwinter (York Centre):** Thank you very much for your presentation. We've heard from various groups representing the home builders of Ontario. I'm particularly interested in what's happening in London. London is a vibrant community. It's got a very solid business base. Yet I see that the housing starts are down, whereas in most other communities, the housing starts are up. I can understand, we were up in Thunder Bay and they are down fairly dramatically, but Thunder Bay is a long way from the main corridor that we have right here. What do you attribute that to?

**Mr Dinardo:** London is unique, as I guess every centre in the province is, in its own way. London, I think, doesn't have the peaks and the valleys that some of the

other municipalities in the province might have. I think London has just been a little bit slower to pick up to the speed of the municipalities that are a little bit east of us, like Toronto, Kitchener, Guelph and so on.

We see it as being a busy year this year. The land transfer tax rebate has probably been a huge benefit for first-time buyers. I think the problem has been affordable housing more than just housing in general and the ability of keeping housing affordable for first-time buyers. As long as we continue to work together on that, I think London will come back into its own and we'll be up this year over last year's figures.

**Mr Kwinter:** I don't know whether you saw the *Globe* and *Mail* this morning, but there's an article that says manufacturing shipments dropped in the month and StatsCan has already revised its figures from 0.3 to 0.1. There's an interesting comment which says that the manufacturing sector in the United States is in a recession even though the rest of the country isn't. It would seem to me that what happens there happens here because we are so dependent on that market. Do you feel that that is going to have an impact on your ability to increase the starts?

**Mr Dinardo:** Thank you for comments. I'd like to just say that London is unique in one specific way in that we don't have a lot of manufacturing proportionally compared to other municipalities. We do build in other locations near London and a lot of them have a very strong manufacturing base, such as St Thomas. We find that their housing starts have declined this year. Basically, you're 100% correct. It's a manufacturing-direct relationship.

In London, fortunately, that's probably why we don't have the peaks and valleys. Usually manufacturing, driven by spending or a lack of spending by consumers, tends to create those peaks and valleys. In London it stays fairly flat because it appears not to have that much manufacturing compared to other areas.

**Mr David Christopherson (Hamilton West):** Thank you for your presentation. I want to pick up on the issue of the underground economy. It's one we've focused on in past tours but not so much this time, and yet it continues to be a growing problem. Most people seem to point the finger at the GST as being the trigger that really drove even more people into the underground economy than before, because of the psychological impact of the GST. Whether that's true or not really doesn't matter. What matters is that we've got major leakage in the economy, and I have a great deal of sympathy for those of you who are trying to play by the rules. It doesn't make a lot of sense for us as legislators to pass laws and then not have them followed by the people who elected the folks to pass those laws.

Having said all that, how do we begin to turn this tide? My sense, from my own personal experience, what I see and what I know, is that it's growing and that it's becoming seen less and less as anything illegal. People believe that the government really doesn't have the moral ground on this issue. I think a large part of the leakage as a percentage of the total economy is in your area of the



economy. How do we begin to turn that around, in your opinion, without having troopers marching down the streets?

**Mr Dinardo:** It's interesting. I was at a committee meeting with respect to the underground economy. I think this year in particular we're seeing the auditors at the Workplace Safety and Insurance Board of Ontario concentrating more on the construction sector. The rates in new construction are about \$13 per \$100 of labour, and certainly you can appreciate that if someone is making a cash deal, if you will, there are a lot of tax dollars that don't get put back into the economy that should be. Obviously, each and every one of us picks up those costs in increased tax rates across the board.

What we've found—I think the concentration, as our report outlines, is that we're not necessarily looking at additional enforcement but rather are trying to twist it in a positive way, in that we'd like to see the government's help and recommendations on ways to encourage and entice consumers not so much not to use the underground economy or the cash economy but rather to use legitimate, honest renovators and contractors, mostly from the perspectives of getting the job done right the first time—I think no matter what we do, we'd like to do it right the first time—and of warranty. From a new home construction perspective it's not as important because we have to be registered builders; it's done typically on purchase and sale agreements and so on. It's the renovation industry that is the difficult sector. We definitely look for the government's support on ways to advise—

**Mr Christopherson:** Would you start with the business community? This I don't know. Is it as prevalent, do you think, in the business community as it is in the private world?

**Mr Dinardo:** I would say not, but that's really only a personal opinion. It doesn't seem to be. There are all kinds of measures there to ensure that you're doing things properly. It's the private person who needs a roof done and says, "Will you do it for cash?" Those are the real problems.

**Mr John O'Toole (Durham):** Mr Galt may have a question too.

I just want to concentrate on the rental issue, if I may. I wonder if you could comment on the decline in rental units. The development charge is part of that. Do you know what the development charge is per multi-residential or rental units? Also, is there a difference? The GST is charged on rental and it isn't on residential. Also, the multi-res classification has a higher tax rate than residential. Those are three measures that could affect the supply of rental accommodations. We hear that housing is a significant social shortage. Perhaps you could comment on those three tax aspects.

**Mr Dinardo:** I would love to, but unfortunately that's not my area of expertise. If you'd like me to get somebody to offer an opinion on them, I'd be happy to do that for you.

0920

**Mr Doug Galt (Northumberland):** Thanks for your presentation and also for your kind comments about

some of the government's initiatives. I want to explore the area of affordable housing. Just to set the stage a little bit, I hear everything from you commenting on lower vacancy rates in London. In small-town rural Ontario those vacancy rates are going up. I hear people can't afford some of the housing; I also have landlords coming into my office about their apartments being trashed or their homes that they've leased out being trashed. They're almost petrified to rent out; they'd rather leave them empty.

A bit tongue in cheek, are we talking about affordable housing from the government's point of view? I don't think so; I expect you're talking about it from the lessee's point of view. I've heard you say and I've heard many others say "affordable housing." What is affordable, and to whom? What's your definition of "affordable housing"?

**Mr Dinardo:** Affordable housing, to me, means your average citizen working at an average wage should be able to afford to get into the housing market and not feel there's a barrier to being able to get into that market. The price level is obviously determined by wages, determined by interest rates, a percentage of down payment. There are lots of factors other than just to peg a number to affordability.

**Mr Galt:** So for you the purchase of a home is affordable housing.

**Mr Dinardo:** Sorry, I apologize, Doug. From my perspective it is, because we're in the business of building single-family. I'm not too up on what's affordable from a rental perspective.

**Mr Galt:** I was just curious—you were using it—what you were making reference to. So in your case it's at what level of price the home can be afforded by the average Joe and Jane Public.

**Mr Dinardo:** Exactly. I have a personal interest in that, because both of my parents are immigrants to this country and both of them had very average jobs, and they could buy a house, which was something they couldn't expect overseas. I feel really strongly that everybody should have that opportunity. So when it comes to new housing, or buying a home in general, I feel very strongly about continuing some of those incentives. They're not necessarily huge incentives, but they're very effective. I have to look at it as very similar to, say, advertising, where you can spend a great deal of money in advertising but if it's not effective, it doesn't do you any good. The same thing is important here. This is the purpose of these types of groups, that we want to not only ensure that policies are implemented, but also that they're effective—cost-effective as well—in getting the results we're looking for.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

UNIVERSITY OF WESTERN ONTARIO

**The Chair:** Our next presentation is from the University of Western Ontario. As soon as the presenters are ready to come forward, I would ask them to state

their names for the record. On behalf of the committee, welcome. I'd like to point out that you have 30 minutes for your presentation this morning.

**Dr Paul Davenport:** I'm Paul Davenport, the president of the University of Western Ontario. I'm here with my executive assistant, Dalin Jameson. Thank you very much for this invitation. We are proud citizens of London, Ontario, and of our province. Our university makes an extraordinary contribution both to the city and the province, and I want to tell you a little bit about that contribution. I'll say a bit about how the province has helped us in recent years and then a bit about the challenges we face in the future.

First of all, just to say a little bit about Western as an economic force: we had a study done by an accounting firm a couple of years ago and presented it to our city last year. Our university generates about a billion dollars' worth of economic activity every year in the London area. We would be one of the pillars of the London economy, both in terms of employment and the spinoff benefits of our research. We do over \$100 million of sponsored research every year, and that in itself is like a large export industry. It generates jobs both in our region and across the province. So we are part of that economic force referred to as the knowledge-based economy that Mr Eves and others have referred to many times in their speeches. Increasingly our prosperity as a province, as a city, in London, will be dependent on how well we educate our young people, how well we prepare them for an advanced economy and how good we are at research. Are we generating the new ideas ourselves in Ontario or are we forced to buy them from others?

I believe by now everyone has received a copy of our brief. I'm not going to read this brief but the ideas I will speak to are included in it. You've also got a copy of a recent document from the Council of Ontario Universities called *For the Record*, which goes into much greater detail than I can on the importance of Ontario's universities for prosperity and job creation.

Finally, I'm going to get to the last document, which is a description of our biomedical sciences project, which is right at the edge of the knowledge-based economy and very important to us and to the city of London and, we think, to the province as a whole.

With that economic background in mind, let me turn to some of the key government initiatives we've seen in recent years, by way of saying thank you. Among those key initiatives would be the Ontario student opportunities trust fund, which allowed us to partner with the province and raise over \$30 million for student aid at the university; the access to opportunities program, which has allowed us to double the size of our programs in electrical engineering and computer science, not only giving our students tremendous opportunities but meeting very pressing labour market demands in the province; and the extraordinary investment in research in the last five years.

I came to this province from the University of Alberta, where I had been president, in 1994. At that time there

was a feeling of despair among researchers in Canada. There was a feeling that Canada might not be a good place for you to invest your career if you were a young researcher because the support for research just wasn't there. We were clearly losing a growing number of our bright young people to the United States.

That has been turned around dramatically, and here are some of the programs that turned it around: the Ontario R&D challenge fund; the Ontario Innovation Trust, which provides support for researchers who win funding in the Canada Foundation for Innovation; the Premier's Research Excellence Awards; and the Ontario research performance fund, which provides badly needed overhead costs for the research we do. Taken together, those programs in the last five years have dramatically changed the setting for Ontario universities in general, and Western in particular. We can now look forward confidently to competing for outstanding researchers and giving them the funds they need.

Finally, I want to express Western's gratitude for the investment of the SuperBuild Growth Fund, which was some \$40 million for our campus and will allow us to build the infrastructure we need to accept the growing student demands that come from the echo of the baby boom and from the double cohort. I'll say a little bit more about those in a moment.

#### 0930

What are the challenges then, if that's the background? We face an unprecedented increase in enrolments over the next decade. You would have to go back to the 1960s to find anything like what we're going to face now. In the 1960s it was the people of my generation, the baby boomers, who were the problem. Indirectly we're the problem again, because now it's our kids who are coming to university. I have three children, all of whom are approaching university age, and there are millions like me. So we are facing an extraordinary increase in the demand for higher education right across North America.

In Ontario we're estimating that there will be an increase of some 30% to 40% in university students over the next decade. We'll be competing for faculty, with US states and other Canadian provinces facing similar kinds of increases. So it's going to be an extraordinary time over the next decade.

In the case of Ontario, the general North American issue of course is reinforced by our double cohort, the fact that there will be two classes graduating in 2003-04 from our high schools: the one class that entered 9th grade in 1998 and did a five-year program and the other class that entered in 1999 and did a four-year program. My daughter is in that second class, and I can tell you, when I go to receptions and cocktail parties, that's what people are talking about: how are we going to deal with this double cohort?

At the same time that's coming at us, all those faculty we hired for the first baby boom are going to be coming to retirement. About a third of our professors are age 55 or over. So we're going to face an extraordinary chal-



lence in getting the new professors to teach the increased enrolment and simply replacing those who leave.

We'll be facing these challenges at a time when our relative funding has been in decline for 15 years or more and our student-faculty ratio in Ontario has risen far above the standards in the rest of Canada and North America.

So here's the baby boom echo, the increase in population over the next decade, and you can see that Ontario leads the county. Not everybody in Canada is going to experience this, but we are. We're going to have a very sharp baby boom echo, stronger than any of the other provinces. We look like most American states, our demography is similar to most American states, so we've got a big challenge ahead of us.

Moreover, you can see the age pattern. We should have done these slides in colour for you. Forgive me. It's hard to read this thing without the colour. What's happening? If you look at that peak shifting to the right, that's the growing age of our faculty. You can see that age is now overwhelmingly above 55, a third of those people are now 55, and they're going to be going. If you go back to 1976, here on the left-most graph, we had an extraordinary number of people in their 30s. Now we have relative few faculty in their 30s and a whole lot over 55, and they're going.

We've also struggled in Canada to keep our faculty and recruit more because of the growing divide between our funding and that in the United States. This is a graph that shows, with an index of 1980 equal to 100, that in the public universities in the US states—and these are states that often have balanced budgets in their constitutions, they're very fiscally careful—they've been investing massively in their public universities, so that over this 20-year period their funding is up nearly 20%. You can see that in Canada our funding per student, corrected for inflation, is down nearly 30%. That's a big difference and it's making it tough for us to compete either in quality or in resources with those US public universities, and they are representing our biggest trade partner. Just to be clear, there's no Stanford or Harvard in here. We're talking about universities that look just like mine. They're funded by the US states and they're doing very well indeed.

Here's how we compare in terms of funding, if you look at a purchasing power parity dollar of 82 cents. So we're not looking at the 65-cent Canadian dollar; we're saying that's undervalued. It should be worth 82 cents in terms of what you can buy, so we're twisting the comparison so Canada looks better than the 65-cent dollar would have us. But you can see that in terms of tuition or core public funding, the funding from the state or the province, and total funding, we're lagging the US by about 35% to 40%. We're well behind in terms of real funding per student. Again, that makes it tough to compete.

I mentioned the student-faculty ratio. You can see that over the last 13 years that student-faculty ratio has gone up by more than a quarter. This has been a trend when

the enrolments were not growing much. We are very concerned that we get a cap on this thing before the echo of the baby boom hits us, so that when we look at this graph 10 years later, it didn't go up by another quarter over the first decade of this century.

How do we stack up in terms of our student-faculty ratio relative to other universities? Let's take the US public universities—Ohio State, Mississippi State—as our comparison and call them 100%. The rest of Canada would have a student-faculty ratio of about 20% above those US public universities. Ontario would be 35% above the US public universities. So again we're at a disadvantage. You wouldn't find statistics looking like this for the public school system, the primary and secondary school system, but we are at a disadvantage in the university sector.

What do we need to do, then, to meet the challenge of the double cohort, to meet the echo of the baby boom and give our students a quality education that prepares them for the knowledge economy? How can we get the resources in place to make our contribution to that knowledge economy at Western? Our first need is rebuilding what we call our human infrastructure. We've seen significant declines in our full-time faculty and full-time staff over the last decade—about 16% for faculty and 19% for staff—at a time when our enrolments were growing. This is what of course creates that growing student-faculty ratio. We've been closing positions and laying people off and we've just got to reverse that if we're going to meet this challenge of the double cohort. We need to start hiring faculty again and hiring staff again. I want to underline the staff. When we say "staff," we mean non-faculty staff. These are the folks who look after students in the dormitories, who guide them through the registrar's office, who work in the libraries, who provide all those services that make a university a university. We can't do without them and we can't do, of course, without the faculty in the front of the classroom, teaching.

We also have to deal with our physical infrastructure. We've got some 40 very large buildings on campus and this is when they were built. You can see slightly more than half of them were built in the 1960s and early 1970s. Where that says 1970, that was all done by about 1974. These buildings are now 30, 40 years old or more and they are reaching the point where they need their first massive upgrade. We're trying to run laboratories for very modern science in spaces that were built back in the 1960s, and it's not working. We're losing our ability simply to do the experiments in terms of air cleanliness and so on. We need some major upgrades there.

Western, as my paper points out, and you can read about this, has been setting aside three quarters of a million dollars every year from our operating budget for deferred maintenance on a continuing basis. So it goes three quarters, a million and a half, two and a quarter, three; we're now up over \$4 million. So we've been doing our part, but we do need help with that deferred maintenance problem. It's a big issue for us. I should say

the payback on that deferred maintenance is that suddenly the students and the faculty have modern laboratories, modern work spaces, and we're just a lot more efficient in producing a quality education and getting successful research done.

I also want to say a little bit about our response to the baby boom. Our plans are to increase our enrolment at Western during that baby boom period by over 3,000 students, and that's on top of the significant increase in student numbers in the years preceding 1998. So we are committed to growing with the baby boom. We have three large buildings now that we'll be able to put up with SuperBuild funds: an advanced technology centre that will house our engineering faculty and its expansion, and two new academic buildings that'll have student labs, research labs and classrooms. We will also put up with our own money—we'd never get any provincial money for this purpose, and we should not—a new student residence. We built two student residences in my six years as president. They are a tremendous recruiting tool for us. They allow us to bring academic programs into the place where the students live.

**0940**

So that's our plan. What we need are the operating funds to be able to hire the professors and the staff. The other pieces are getting in place. We need those funds to be able to hire the teachers, and the staff will look after the students.

You should know that we are committed to an accessible university at Western in the sense that we will be growing and we will be sure that no one is denied admission for financial reasons. So in terms of the student aid funds that we actually control, they've gone from \$5 million to \$24 million in just the last eight years. Our province gets a lot of credit for that. Part of that is the OSOTF program of matching grants for student aid endowments, and the other part is the 30% set aside on our tuition. Every time we raise tuition \$1, we set aside 30 cents for student aid, and there it is. So our commitment is that no one is going to be denied access or the ability to finish a Western degree for financial reasons.

We have been strategic in the use of our resources; I'll give you just a couple of examples. We've been building cross- and interdisciplinary teaching areas that are extraordinarily popular with the students. Our new student recruitment is arriving in these new areas, like our health sciences degree, in an astounding fashion. We've also been switching money very effectively into those programs that are expanding fastest. So we're putting our money where the students want to take their courses. It's been a good recruiting strategy for us.

First-time, first-year, first-choice applications this year in the province are up about 3%; at Western they're up 10%. We're doing very, very well in our student recruitment, for those reasons.

When I arrived in 1995, I embarked on a strategic planning task force. That document is called *Leadership in Learning* and it has guided us for the last six years. We are now involved in an update on that document. We'll

be circulating the first update in June and a revised strategic plan next fall. Again, that will keep us focused on our strengths, investing in our strengths, making sure that we use our funds wisely.

This is my last slide, and then I'd welcome any questions.

What would be our priorities? I think to a degree on this first one you'll find unanimous feeling among the universities. It would simply be that we get funding for the enrolment increases that we know are coming, the massive increases in undergraduate and graduate students that are coming. We would ask the committee to endorse the notion that they will receive full funding at current rates so that we do not drive our student-faculty ratio up any more and we can stabilize it where it is in the hopes one day, frankly, of getting it down.

We're also hoping that perhaps in the one-time funds from the year-end budget surplus there would be provision for deferred maintenance funding so that we could get on with refurbishing these buildings from the 1950s, 1960s and 1970s that need help. One example of that deferred maintenance is the medical sciences building. London is a medical powerhouse. We're known around the world for our medical research. Western is at the heart of that reputation. A great many of our labs are in the medical sciences building. We simply must update them if we're going to keep recruiting great scientists.

We will be recruiting a number of faculty over the next 10 years, probably about the same number we currently have. If you can imagine that, it's an extraordinary challenge. We won't get the right people in medical sciences unless we have good space to show them; they just won't come to us. So that's mission critical for us. I should say that all our partners, all the hospitals in the city, all the research labs, have signed on and support that project, as they support the city-wide animal care facility. That again will allow us to stay on the cutting edge of science.

So medical science and the city-wide animal care plug into that knowledge-based economy, plug into our leadership and research, and help us make London and Ontario a dynamic place to live, work and raise a family.

I think I've left a little bit of time for questions. I would welcome any that the committee might like to put to me.

**The Chair:** Thank you very much. We have approximately three minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. Certainly, your university has a phenomenal reputation right across the province, and I say that as someone who has McMaster in their riding.

I wanted to talk about skilled workers. Obviously, you would know that we're hearing right across the board that we need skilled workers, all the way from construction to the high-knowledge-based end and the high tech. Assuming, and I realize your main desire in being here is to get the government to focus on the need that universities have, and I would point out as I have in other com-



munities that on one of our opening days in Toronto the chief economist for the TD Bank went out of his way to include in his presentation the comparators of post-secondary education funding here versus our main competitors, similar to what you've done; but they went into greater detail. So you've got business on your side saying that we need this as a component of a good economy in which to make money.

That notwithstanding, that you're here to convince the government, and they've heard it over and over and over again, of the need for post-secondary education funding, is it your sense that we have enough young people who will be interested in all facets of where we need skilled workers; or, even in your most optimistic projections, are we still going to fall short and should we recognize that now and begin to take steps, whatever those might be, students from other countries, something; or is it a question of just making sure we've got the facilities to put them through, because there are enough young people who will go on to acquire the skills we need in our economy?

**Dr Davenport:** The skills issue is a very broad one. Most people right now don't go to university, so you have a responsibility to see that that majority of people get the skills they need in high school or in other institutions. Often, those skills are very, very specialized, whether they are pipefitters or electricians or whatever it is. In those cases, you may be able to fill the gap with selective immigration or selective programming or whatever it is.

In my world, we're talking about people who graduated for the most part with a fairly broad education and are in enormous demand right now. It's not well understood that the people graduating in arts and social science and the basic science courses at Western and elsewhere are going out and making a wider wage gap, making more money compared to a high school grad, than they ever did. There, I think, immigration won't do the job. There you really need to invest in the people themselves, invest in their education.

Yes, I think the demand from the students is going to be there. We're just watching a surge in demand for Western, because people see this relation between getting a university degree and success in the labour market.

Let me say that there will be specific niches where we need to work with you to fill a specific gap; nursing is one, and Western is expanding in nursing. We have a great joint program with Fanshawe College. We jumped at the opportunity with ATOP and we've expanded there. But this knowledge economy is not about narrow gaps in computer science or nursing; it's about a broadly based, broadly educated workforce. There, I think, the solution is the investments we're calling for.

**The Chair:** To the government side.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation, Dr Davenport, and also thank you for the work you do on the Council of Ontario Universities and the working group on university capacity. I've met with Dr Ian Clark a number of times, and

I know the minister is quite pleased with the work you do and the consultation process that takes place in assisting the ministry to resolve some of the challenges that we'll be facing.

I have a couple of questions and just a comment on the comparison you made with the United States. What I find interesting at times is that various people compare to the United States, and there are some who criticize us for going toward the Americanization of Canada, and that's done in a very negative way. Yet when we talk about the funding that is available for some things, like education, then certainly we take great pride in comparing to the United States. In saying that, I just want to say that in some cases it's a good comparison, yet in others it isn't. We can't have pieces of it without the others, just to put it in perspective.

I'd like to hear your comments on the idea of student-focused funding and looking at the possibility of doing that for the post-secondary institutions, and also your comments on the new private universities bill that has been passed and the implementation of that.

**0950**

**Dr Davenport:** First of all, let me say on the preamble that there are many things wrong in the United States and many things I wouldn't want to copy, certainly. But I think the US has the knowledge economy right. They get it. They understand the relation between investing in education and research and giving opportunities to their citizens. So on that one, I think they're setting a standard that the whole world should be interested in. I think they're getting it right.

Student-focused funding: absolutely. I think what we are evolving in Ontario is a very competitive higher education system, where students now are paying a greater share of their education; they're very, very oriented toward quality and outcomes and they're appropriately putting the pressure on us, as universities, to show that we monitor quality and that we deliver it. So I think our current system is leading to a situation where we are funded according to the number of students we have and, indeed, our ability to attract students depends on quality.

I think we have a student-focused system now, and I'm certainly open to any suggestions for improving it, but I can tell you—let me take Western, for example. We're the only university that I know of in Ontario that does this. We survey all of our courses every semester at the end of the course, and then we immediately put the results up on the Web site so that the students can see that Sally Jones is doing a great job and Paul Davenport is not. We try to monitor quality in that way to help the teachers who need to pull up their socks to do so. Frankly, one of the great results of that openness has been that the students see that overwhelmingly they're rating our courses very well. We do a similar thing when they graduate. We have an exit survey and then we publish the result. So student-focused funding: absolutely. But I think we can do that through our boards and through internal accountability.

My position on private universities is well known, I think. Western is not worried about competing with private universities in Ontario or anywhere else. It's not a problem for us. We are worried about getting the public funds to compete with the great public universities of the US. We see them as the competitive force we have to deal with. I've been quite at ease with the legislation that was passed, and when I appeared before the minister's consultative committee, I put all my emphasis on the quality evaluation and had suggestions about how the quality assessment board could operate.

But we are in a North American environment where, in some jurisdictions, private universities have been extraordinarily successful. My concern is that we give our public universities in Ontario the tools they need to do the job.

**Mr Pat Hoy (Chatham-Kent Essex):** Thank you very much for your presentation this morning. You've touched on a number of possible barriers in the future, but I'll talk about your retirement of faculty, the natural increase in the population of Ontario wanting to avail themselves of universities and, of course, the wonderful notion that students want to go to Western as their number one choice, more so than any other university. What will be the bigger problem in the near future in terms of faculty? Will it be your ability to financially pay them or will it be finding them? What is going to happen with this huge retirement? Are there people to take those jobs?

**Dr Davenport:** Right now our problem is with the money to pay salaries. We haven't been able to recruit, because we haven't had the funds in our budget. When we do recruit, we get outstanding people. If you were to look at the people we've hired over the last five years, they are superb.

Somewhere in the next three or four years, though, I think the pendulum is going to shift and that second problem you raised is going to start to bite on us. We have not expanded our graduate programs in Canada the way we needed to. We're going to face tremendous competition from the United States. The problems that we can see already in certain niche areas, like finance in our business schools—all of our business schools are killing themselves to hire finance professors. They're getting offers from the United States at over US\$100,000. Similar things at different salary levels are happening in electrical engineering and computer science. I think there is a threat that this kind of severe competition from the US will be generalized, and then even if we have money to hire professors at our going rates, they'll be very hard to find.

What's the solution to that? It's to get out into the market early. The sooner we can get funding to hire our new faculty, the better the faculty we will get. While I didn't say this in my presentation, I should have: our hope, of course, is that the government's announcement on the double cohort and the echo of the baby boom funding is going to be in that May budget. That's when we need it. We need that commitment of funds to educate

those students so we can get out now and get the best faculty.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

## TOGETHER IN EDUCATION

**The Chair:** Our next presentation this morning is from the elementary teachers' federation, Waterloo local. I would ask the presenters to come forward and state their names for the record. On behalf of the committee, welcome.

**Mr John Ryrie:** My name is John Ryrie, and I'm actually president of the Ontario Secondary School Teachers' Federation, district 24, in Waterloo. On my right is Brydon Elinesky, who is president of the Elementary Teachers' Federation of Ontario, Waterloo unit; and on my far right is Pat Cannon, who is the president of the Ontario English Catholic Teachers' Association, Waterloo unit.

We are members of a group we call Together in Education, which has been around in our region for about 20 years where all the affiliates try to work together to do various initiatives. One of the things we have done this year, for example, is raise money for our teacher-build through Habitat. It will be the first teacher-build in Canada. We've raised over \$67,000 so far toward that end. That's the kind of thing we have done and we do. So we're actually three federations coming together to speak with one voice.

You have a presentation in front of you, and we'll just work our way through it.

As the introductory paragraph indicates, we represent 75,000 students and more than 4,000 teachers and educational employees in the region of Waterloo. Our presentation indicates our belief that the education system lacks the resources to provide the quality of education that Ontario students deserve and that we know their parents expect.

We are certainly here to refute the notion that in 2001 we can possibly continue to do more with less. This is a rather simplistic notion that we believe has long outlived any usefulness it ever had when applied to schools, which are intensively people places.

We are here to encourage the government to restore funding that has been removed from our schools and our students and to establish true core stable funding that is supportive and enhancing instead of destructive and debilitating.

Bill 74, like all legislation since 1995, has presumed to improve the quality of education provided to students in Ontario. It has had the opposite effect. This has been especially true at the secondary level, where teachers have been forced to teach an additional seventh class during part of this current school year as part of their full-time workload.

Compounding this additional workload has been the additional work required to prepare the new courses of studies in grades 9 and 10, next year grade 11, and the



following year grade 12. Teachers who have been used to the norm of four "preps"—and I had a principal say very recently that that was what they always tried to do in the past. If you had six courses, they would try to give you four preps. That in turn supported everything else that teachers have provided to secondary students. But these people have faced the grim prospect of preparing six or seven preps while having less time than ever before to do the marking, the report cards, and everything else associated with those courses.

#### 1000

The fallout of this particular bill has been particularly devastating. At every high school in Ontario there are 6% to 8% fewer teachers to teach all the courses and all the students. Of course, you have people doing more courses so you don't need as many teachers. When coupled with the additional challenges of the changes in secondary courses and structure, many teachers have had only one possible response to cope with this workload issue, which has been to reduce or eliminate their extracurricular activities.

Some examples from Waterloo: the public high schools last year sent 21 entries to the Sears Drama Festival; this year, according to the head of the drama association, they will be sending three, four or five. I received news yesterday that this year, for the first time in 20 years, our region will not be holding the annual English awards banquet that honours the remarkable achievements of students in prose writing, drama, poetry, school yearbooks, short story writing, debating, school newspapers and filmmaking. This is an astounding banquet that we've had for 20 years that recognizes the remarkable achievements of our finest students, supported by both local universities, which go to the trouble of not only marking some of the submissions but also doing workshops for the students in the particular areas. It's been organized entirely by teachers and has for years honoured these kinds of students in not only the separate and public boards but also participating private schools in the region.

To quote the fax that I got yesterday from Peter vanderMaas at Kitchener collegiate, "There are too few teachers available to continue this year."

The loss of other activities, whether they be sports, clubs, bands, choirs, or dramatic productions, has been well documented since September; I don't have to go into a lot of detail on that. But it continues to be a problem that cannot be solved by the threat of mandatory free overtime or by the simplistic notion that community volunteers can slip in and fill the voids. Besides which, as students said so well and so compellingly to Gerard Kennedy, who I notice is here today, at Resurrection High School on January 16th, the students don't want outsiders heading up their extracurricular activities; they want to connect with their teachers.

The educational cost of removing \$125 million to \$150 million from secondary schools in order that more courses are taught by fewer teachers has been enormous. Nothing has been improved by the removal of this

money. The dramatic change was shortsighted in the extreme, not just in terms of throwing extracurricular activities into disarray, but in terms of lowering morale, increasing staff illnesses and disfiguring the reputation and the attraction of teaching in Ontario. The new workload is one more detraction from a profession that already has a critical shortage of teachers in such areas as computer science, mathematics, technical studies and French. The previous speaker pointed that out, essentially, that all of these people coming out of these areas in our universities are being snapped up by places that honour them, appreciate them, pay them more money and give them a workload they can manage. The sharp reduction in university graduates applying to Ontario faculties of education is the clearest indicator that for all intents and purposes a job teaching in our schools, if not all our schools, has lost its appeal, even to those who want to make a difference in the lives of young people.

Regrettably, time does not permit a full discussion of the funding we need for our libraries, our technical areas, our infrastructure, our school maintenance, our office-clerical support—and the list goes on. But there is a simple way to make a pretty good comparison. In 1995, the total monies spent on elementary and secondary students was approximately \$14.5 billion. The government at the time banded about this figure when it came into office. In 2000-01, the figure is approximately \$12.5 billion, yet we have more students and we have exceptional needs that are not being met. In relative terms, we have sunk below every single American jurisdiction in per-pupil expenditures, if you compare American and Canadian dollars accurately. If you don't do that, if you take Canadian money at par with American, we now rank only 28th in North America. By comparison, in 1992, when we had far more teachers and far more supports for students, we ranked 13th, which wasn't bad at all, in per-pupil spending. We have moved a long way downward since 1995.

The key question with respect to the budget is whether education is a cost to taxpayers or whether education is an investment. You heard that from the previous speaker as well. If, as we believe, it is an absolutely critical investment in the future, then we have every right to expect that you will place this investment ahead of any imminent tax cuts. There may be a place for those tax cuts down the road, but right now we need investment. We all know the tax cuts will exert pressure for further cuts to programs and supports for students. There is no other way to balance the books.

If you recognize that taking billions away from publicly funded Ontario schools has had the same effect as forcing 10,000 nurses from our hospitals, then we are hopeful you will see the same need to put real money, and not just announcements, toward the dramatic shortfalls that continue to erode the educational services and supports for Ontario's students.

**Ms Pat Cannon:** What's missing in education today? The answer is really very simple. There is a great need for sufficient staffing by qualified and certified teachers,

as well as enough money to fund the current curriculum changes mandated by the government. The problem is that there is not enough of either. Because of this, some of what could be happening in education just isn't possible.

Why are there not enough certified teachers? The answer to this is fairly simple as well. We have more teachers leaving the profession than entering and staying as a lifelong career.

The reasons for this situation are more complex, but they fall into five main categories: lack of motivation to enter the profession; current inadequate hiring ratios; the realization of actual workload, once hired; the lack of appreciation for their efforts by government and the public; and inadequate compensation for the investment of time and education they've put into it.

Consider first the motivation to enter any profession. There may indeed be a large number of idealistic, young future teachers out there, but how many of them are giving their career choice a second thought now because of all the negative press that has been directed at teachers and education in Ontario in general over the past few years? Most of it has been coming directly from our own provincial government, the one responsible for providing an education to the children of Ontario. Those who do still apply and are accepted into teachers' college soon find that teaching may not turn out to be exactly what they had envisioned.

The current ratios for hiring in elementary and secondary schools are calculated in the aggregate for the board and have not changed the fact that there are still many large classes in the province of over 30 students. In fact, because of these numbers, there are also many split grades, which means that a single teacher is now responsible for delivering two complete new curriculums to the children in his or her class.

Workload does become a major issue. Once a teacher has been assigned a classroom and a group of children, they have the overwhelming task of planning, preparing, delivering, assessing and reporting on as many as 13 curriculums in the elementary grades, and potentially seven different courses at up to five different grade levels in the secondary panel.

Of the five main tasks that teachers do, only one, delivering the curriculum, is actually done during the child's 300-minute instructional day. Somewhere in the rest of their day, they must find the time to complete the rest of their job in order to be properly prepared. Add to this the fact that teachers frequently spend three to four hours of additional time beyond those six or seven at school and you end up with pressures and expectations which bring about a very high degree of stress in their lives.

Then there are the expectations that seem to have been the centre of much debate over the last three years. What obligation does a person have to provide voluntary extra-curricular activities to our children at school? Government and parental pressures are high for these to be provided and, for the most part, teachers would like to be

doing them. They do find, however, that they just can't work activities into a schedule that is already too full, just completing the job that they were actually hired to do: teach the children.

How is workload affecting the burnout level of teachers? This is a more complex situation but the relationship is definitely there. Every week, we, as federation leaders, are seeing and counselling more teachers who are finding harder and harder to deal with the multitude of curriculum changes that have been downloaded on to the classroom teacher over the last three years.

They are expected to implement all the changes in every area of the curriculum based on new and more difficult expectations for each age level. They are expected to evaluate the children's progress using an entirely new model for assessment, one that is very confusing for many parents to understand when they get their child's first report card.

Frequently, frustrated parents, upset with these new evaluations, are confrontational when dealing with the teacher, simply for evaluating according to government exemplars. This develops into a stressful situation for many of our colleagues. Many are feeling unappreciated by both parents and the public and that the integrity of the profession is constantly in question.

Because of these problems, we find ourselves in a major dilemma. The teachers continue to require a great deal of in-service just to begin to accomplish some of these curriculum change expectations. We now have only four PA days in an entire year. This is far too little time to manage the huge task that is still ahead of us. Can it be provided through workshops during the day?

#### 1010

There is often too much information to be disbursed, causing too many teachers to be out of the classrooms too much of the time. To further complicate matters, there are often not enough occasional teachers available to cover the classes for the teachers receiving the professional development. In many cases, there is not enough money provided in a budget to pay the occasional teachers to cover the classes for professional development during the workday. Because teachers generally want to spend as much class time with their own students as possible, it leaves them with a confusing tangle of what's necessary for them to deliver a comprehensive program, and the desire to spend as much time in the class actually delivering the curriculum.

How are teachers coping with this stress? Many are not doing very well with it at all. In fact, in 1999-2000, of the nearly 10,000 teachers who left the pension plan rolls, only about 60% left to a retirement pension. The rest of them simply left the profession. That is a 23% increase over the previous year of those leaving. Of the retirees who went on pension, there was approximately a 20% increase in those who took a penalty and retired early, rather than stay until they could collect an unreduced pension. One might speculate that this could mean many left because they just couldn't cope or didn't want to deal



with the heightened expectations and poor working conditions, or didn't feel sufficiently appreciated or compensated for the job they were doing.

Consider also compensation for teaching. It is the only profession that has a 10- to 14-year probationary-type pay scale. I know of no other form of employment where it takes this long to attain the top wage for a similar job. A large number of university graduates, particularly in the sciences, maths and computers, could enter the workforce in those areas, commanding a much higher starting salary with superior long-term expectations for their future recompense. Even within the teaching profession, many other countries are competing for our well-trained graduates. Various states south of the border are offering generous signing bonuses, enhanced wages and waiving green card requirements.

Teachers who are trying to cope with the changes are facing burnout and are making greater use of our health care services. There is a much higher use of sick days, a higher incidence of use of certain drugs and medications within the health care plans, as well as use of services such as chiropractic and massage. Many have asked for reduced schedules and many are taking leaves of absence. LTD claims for teachers are the highest in the industry and over 50% are made for stress and mental health concerns. In the private sector there is a claims rate of seven per 1,000 in LTD claims. In education, the rate increases to over 17 per 1,000. However, in our particular board, the Waterloo Catholic, our current rate is almost 30 per 1,000. It is obvious that many teachers are starting to break under the pressures and stresses of the job. Inadequate funding is creating increased workload and stress situations that are proving hazardous to our teachers' health.

The following recommendations are made to encourage new people to enter the profession and the more experienced teacher to stay in the rewarding career of education. With the huge number of retirements and the constant turnover of new teaching staff, we need the following things to happen in order to stabilize and strengthen education in Ontario to the level it once was not so long ago:

We recommend that sufficient PD time and funding be provided in order for teachers to receive the necessary in-service on new programs and initiatives during the workday, but when children will not be negatively affected by their teacher's absence.

We recommend that the funding model be adequate to allow for a reduction in split-grade classes.

We recommend that there be a reduction in all class sizes in all grades, and that the maximum class size cap for each division be determined.

We also recommend that some funding be used to promote the education system and the career of teaching.

**Mr Brydon Elinesky:** More from the elementary perspective, as John mentioned earlier, it's our belief that education is not a cost but an investment. Although the government and the federations have had many differences of opinion, we do have one major goal in common:

the current and future success of the students in our care in Ontario's education system. We want our students to become good citizens, to be active participants in society, to contribute to the economic well-being of the province and to lead productive lives in their own eyes.

There are many factors that will come into play as the lives of our students unfold, but the grounding we provide for them in the early years of their education will be a significant determinant in their life experiences. No matter what course their life takes or what career path they choose, they will require basic tools, skills and attitudes to attain the goals stated above.

Everyone agrees that literacy and numeracy are critical to building success in today's society. Fostering an enthusiasm for learning is often forgotten as one of the keys to success. Regardless of the focus, from formal education to learning the art of cooking as a hobby, the love of learning is a prerequisite for success. Elementary teachers do this every day. It is not only the curriculum skills that are taught in our elementary classrooms, but it is also the life skills of how to learn and how to solve problems that are taught as well.

Opportunities are also provided on a daily basis for students to work with and to get along with others. All of these are essential to the end result of developing caring, responsible and productive citizens. The investment that is made in the early years of a child's educational career will determine the success of this province. A wise investment will in fact reap long-term benefits for all. In order to ensure that our goals are met, we must make a serious investment in our early learners.

There are a number of areas where this has to be done, and one of them is class size. Many studies have shown that small class sizes, particularly in the early years, lead to improved learning for our youngest students and, as a result, future savings for the educational system. The Tennessee Student-Teacher Achievement Ratio, the STAR project, and the California initiative to reduce the kindergarten-to-grade-3 classes to a maximum of 20 both proved overwhelmingly that the following occurs:

Students in smaller classes in kindergarten to grade 3 were six to nine months ahead of their counterparts in larger classes in math and reading by the time they reached grade 4, and the results were cumulative, as they were over a year ahead by the time they reached grade 8.

Students in smaller classes participate more in school and have fewer discipline problems.

There are more opportunities for students to problem-solve with others and to take on added class responsibilities.

Teachers are able to cover curriculum faster and in greater depth.

Early identification and intervention for students with learning difficulties is made possible with smaller class sizes.

Although smaller classes cost more, the long-term benefits are irrefutable. Fewer dropouts, less need for expensive remediation in subsequent years and fewer repeated grades are the savings that will be realized. It

will mean that our graduates will be more successful, with a resultant reduction in the need for social assistance programs. Spending money now on lower class sizes will save huge amounts in the future.

The government moved in the right direction last year by investing \$100 million to reduce class size to 24 in the primary grades. The next step is a plan to continue that reduction to a goal of a maximum of 20 in the primary grades by 2005.

In the Waterloo Region District School Board, the importance of the low class size at the primary levels is recognized, and the class size maximums are lower in those grades than the funding formula allows. In order to accomplish this, however, the board has significantly raised the class size averages for grades 4 to 8. This works to counteract the positives gained in those early years. Only providing the funds necessary to reduce the overall class average in elementary grades will reap true benefits.

Specialist teachers are also needed. Funding more resources, particularly more teachers, is another successful investment strategy. Locally, we've had a significant reduction in the number of specialist programs. For the 2001 school year, there will be a reduction of more than 70 teachers within the elementary panel of the Waterloo Region District School Board. These reductions will occur in the areas of teacher-librarians, design and technology, family studies, guidance and special education. These are not so-called frills, but they are necessary components of complete education for our students.

#### 1020

The reduction in teacher-librarians will mean less access to books and reading as well as another resource for the classroom teacher to assist with the delivery of program. The loss of our guidance staff at the kindergarten-to-grade-6 level means the opportunity for intervention at the earliest years, when it is most effective, will be gone. Further reductions to the number of special education teachers will also have a significant impact on our students. The long-term costs of such reductions will be enormous. Removal of the design and technology and family studies classes deprives the students of practical applications of mathematics and literacy components.

Although there have been no further reductions in the ESL programs in Waterloo region, the current funding does not address the needs of our community. Educators involved with meeting the needs of our students claim the census data used for the grant entitlement is flawed since it only addresses those students five years of age and older. We have many students enrolling in the kindergarten classes who come from families where English is not spoken in the home even though the family has been in the country for several years, making their children ineligible for ESL funding. The region of Waterloo now has the third-highest immigration rate in the country. As well, we have a significant Mennonite community in which English is not spoken in the home. Both of these factors make it necessary to change the rules for grants to make facility with the English language upon entering the school system as the determining factor for ESL

funding and to start that funding in junior kindergarten. We cannot continue to ignore this significant problem and still espouse literacy of all Ontario's citizens as a goal. Unless we address the needs of all of our children in the early years, we will not be able to rectify the problems later on.

The government also must make a commitment to an investment in junior and senior kindergarten in order to ensure the future success of our students. The government's own Early Years Study recommended additional resources for early learners, and the recent Education Improvement Commission also made recommendations for a \$1-billion investment in full-day junior and senior kindergarten. Funding all-day senior kindergarten is the first step in the right direction for funding, and the next would be to fund full-day junior kindergarten as well.

Investing in our students now will result in long-term benefits for all of Ontario. The savings that will be realized by making the above-mentioned investments in the education of our students, particularly in the early years, is sound financial strategy. It is not just the right thing to do, it is the common-sense thing to do.

Thank you very much for hearing us. We have a few minutes left, so we would gladly take any questions.

**The Chair:** You're quite right. We have one minute per caucus and I'll start with the government side, Mr Arnott. Now make it tight.

**Mr Ted Arnott (Waterloo-Wellington):** I've got five minutes of questions.

Thank you very much for your presentation. Brydon, you said, "Although the government and the federations have had many differences of opinion, we do have one major goal in common: the current and future success of the students in our care in Ontario's education system." I completely agree. I think we need to get beyond the disputes that we've had in recent years, whether it be the pension dispute that took place with respect to the Liberal government in the late 1980s or the social contract dispute that took place under the NDP or the changes that our government has initiated. We need to work together for the benefit of the students. I want to thank you for your presentation today and the tone that you've brought forward.

I want to ask you about ESL funding, because I know that in Waterloo region we are underfunded with respect to ESL funding. What are we presently receiving, and what does your federation think we need in order to adequately meet the needs of the students in Waterloo region?

**Mr Elinesky:** What we currently need is the recommendation we have that what we do is allow the students to come in, and what we look at is what their language is when they come to school, not how long the family has been in Ontario. If we do that, I believe then the funding amount will be correct. It has to start with junior kindergarten, not with senior kindergarten.

**The Chair:** Thank you very much. The official opposition?

**Mr Hoy:** Thank you very much for your presentation this morning. I will just make a quick comment about the



Mennonite community in your area that you mention. I also have a significant Mennonite community, and I've heard of this problem, the language aspects that you're talking about.

I think, as legislators, we're all aware of the numbers of persons who retired from the teaching profession recently. But I am really struck by your information today that only 60% left to a retirement pension. This is quite serious, I would say, that people are retiring simply to exit the teaching profession without a secure pension behind them. I think it really does speak to the situation quite graphically. I wasn't aware that this was occurring at this percentage and, as well, a 23% increase over the previous year.

I have visited elementary and high schools on many occasions since 1995, and I know of some of the stressful situations that exist, but this is quite an alarming figure, in my mind, at least, and I am certain for many members here.

**Mr Christopherson:** Thank you for your presentation. I've mentioned before in other communities, and I'll mention it here again, that I've had now on two occasions, actually, physicians in my riding, and I represent Hamilton West, mention to me out of the clear blue, unprompted by me, that they've never had so many patients who are teachers who are off on stress leave. So when I see your stats, and we've seen others in the province, it shores up what I'm hearing anecdotally is happening out there. It's a shame we can't find a better way to phrase it, because there's nothing that will hurt the system even more, I would say, than the funding cuts if the whole array of teachers become so demoralized that they lose their enthusiasm. If the enthusiasm is lost, all the money in the world is not going to give our students, our children, what they need.

I also wanted to join with my colleague Pat Hoy and say, again from Hamilton, you can appreciate that ESL is a huge issue. In fact, we've had other presenters come forward and say, "If you don't resolve this issue for those children, the entire system could vaporize and it wouldn't make any difference because they're not getting it anyway." At a time when the federal government is increasing immigration in recognition of our skilled trades shortages and the population growth we have to maintain, and grow to allow this to happen, you'd almost wonder if there couldn't be, just to make the point, a human rights complaint that, where equal opportunity to accessibility of quality education is supposed to be assured to every child, by not funding this in the most obvious, practical fashion, there's a human rights infringement.

I've been to schools in my riding, Pat, that have got thousands of kids who are not taking in the education system they should because they don't speak the language and they're not getting the ESL courses they should get to offset that. It's heartbreaking, and there's not a darned thing any of us can do. It's all in their hands. It's just, as you say, a question of recognizing—base your funding on the need after testing all the children rather than saying, "Three years or five years you fit in this box." Well, guess what? It doesn't work that way.

There are a lot of people moving to our communities, having been somewhere else first, and the government itself has said it takes about seven years to become totally proficient in a second language, especially to have that language as one you're learning in.

Thank you, Chair.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

## LONDON CHAMBER OF COMMERCE

**The Chair:** Our next presentation is from the London Chamber of Commerce. I would ask the presenters to come forward and state your names for the record, please. On behalf of the committee, welcome.

**Mr Gerry Macartney:** Thank you, Mr Chair. Ladies and gentlemen, thank you for allowing us the opportunity today to share our views with you. My name is Gerry Macartney. I'm the general manager of the London Chamber of Commerce. I'm accompanied today by the president of the chamber of commerce, Mr Wayne Dunn; and our director of liaison, Mr Todd van Rees. In the audience are Don McCallum, our vice-president of policy; and Anne Creery, the chair of our economic policy committee.

The first section I'm going to turn over to our president, Wayne Dunn, who will tell you a little bit about the chamber of commerce and get into our first issue of the day, which is debt.

**Mr Wayne Dunn:** Thank you, Gerry. It's nice to be here today. I'll just give everyone a synopsis of what we are all about. The London Chamber of Commerce is London's broadest-based business organization, with nearly 900 member firms, employing over 50,000 people in London and region. Our mission is to be the voice of business, contributing to economic prosperity and quality of life in London and region.

In that role, we speak out regularly on behalf of our members on matters of local, provincial and federal legislation that affect business and the business climate. We are pleased to welcome the members of the standing committee to London today and to offer our views with regard to the forthcoming provincial budget. To that end, our presentation will focus on five key issues that we believe should drive Ontario's fiscal agenda over the next few years: government debt, tax competitiveness, investment in infrastructure, education and training and health care. Each of these issues is provincial in scope, but with regard to education and training and health care, we will offer some suggestions that focus on circumstances here in London.

### 1030

I'll speak on government debt to begin with. Then I'll turn it over to my colleagues for the other issues.

The elimination of the provincial deficit has been a substantial achievement, and we congratulate the government on this accomplishment. From a business perspective, however, the job remains unfinished until we begin to make significant inroads on the reduction of our accumulated debt of more than \$114 billion. The current

debt is at present absorbing 15 cents of each revenue dollar, compared to a provincial-Canadian average of 12.6 cents. We'd like to see that move downwards.

While some may see debt repayment in competition with goals of tax reduction and program spending, we believe that in the long term a priority on repaying debt can actually enhance the opportunities for both tax reductions and strategic investment. Debt repayment has the added benefit of reducing the amount of existing debt to be refinanced, ultimately freeing up funds for tax reductions and program expenditures. In the fiscal year 2001, for example, the budget called for Ontario to spend more than \$8 billion to refinance existing debt. That expenditure compares with \$7.7 billion originally budgeted for operating expenses at Ontario hospitals.

To put the situation in perspective, Ontario's debt-to-GDP ratio is currently at 28%, nearly twice its historical average of 15%. Like the deficit, the debt will not be eliminated overnight, but the fiscal flexibility afforded by reducing the burden of debt refinancing means that debt repayment should be a top priority.

The London chamber's recommendation to this committee this morning is as follows: that the provincial government target a reduction in the provincial debt-to-GDP ratio from the current 28% to 15% within five years.

I'll now turn it over to Todd to speak on the taxation issue.

**Mr Todd van Rees:** The Ontario government is a leader among Canadian jurisdictions working to achieve competitive corporate and personal tax rates. Our member businesses and their employees have benefited from the government's decisive action in this area. We were also pleased that the government responded to the Ontario Chamber of Commerce's request for a business advisory panel on corporate taxation, and we look forward to the results of its review of Ontario's business taxation system.

In the meantime, however, we urge the government to continue in its efforts to reduce the tax burden. Our members compete with businesses from US border states as often as with firms from the rest of Canada. Tax competitiveness, like business competitiveness, is an international, not just regional or national, phenomenon. We would further note that the emerging consensus in the US federal government for substantial tax cuts will only increase the challenges to our members competing for business and skilled employees with US firms.

Our recommendations in this area are as follows: within a framework of enhanced debt reduction, the government should continue with its plans to further reduce the tax burden on businesses and individuals. Such plans should consider tax competitiveness in an international context, particularly in relation to those US states that make up a large percentage of Ontario's international trade. Possible priorities for change could include the elimination of the small business deduction clawback; raising the threshold for the highest income tax bracket in

Ontario; and strongly consider the elimination of the provincial surtax.

Our comments on education and training are as follows: stable economic growth and investment flourish when people are afforded access to education and training that result in improved basic skills, specific occupational training and lifelong learning. Business prospers when it has access to a sufficient number of individuals with the tools necessary to produce, discover, invent and expand product lines and grow new markets.

Ontario's community colleges play a key role in developing skills in critical thinking and the technical and professional expertise that our member businesses need in their employees and managers. That role must be recognized with appropriate funding. The government already has indicated its willingness to reinvest in post-secondary education and training through SuperBuild, the access to opportunities program and other initiatives. The spectre of the double cohort, which will necessitate a significant new investment by colleges in learning facilities, equipment and staffing, looms closer. This phenomenon, combined with rising labour market pressures and a demand for more training and lifelong retraining, will place community colleges' operating budgets under increasing strain.

The London Chamber of Commerce concurs with the submission from the Association of Colleges of Applied Arts and Technology of Ontario, which points to the significant reduction in per-student funding over the past 10 years.

Our recommendation in this area is as follows: Ontario needs to ensure that colleges are able to continue to provide their students with the skills and training they need. We understand that the Investing in Students Task Force will be offering recommendations to the government on this issue, and further note that the Association of Colleges of Applied Arts and Technology of Ontario has also brought forward suggestions on this issue.

Therefore, we recommend that the provincial government respond to the impact of the double cohort on operating costs at Ontario community colleges by offering the appropriate financial support.

**Mr Macartney:** I'll speak to the investment and health care initiatives.

Investment in the physical infrastructure that enables economic development and growth is a primary responsibility of government at all levels. The London Chamber of Commerce was encouraged by the establishment of the Ontario SuperBuild Fund. We believe that this approach, leveraging enhanced public sector investment through private sector partnerships, is the appropriate strategy.

We do, however, share the concerns expressed by the Ontario Chamber of Commerce in its paper released earlier this month recommending a study of the issues around the creation of a transportation authority for Ontario. Investment in transportation infrastructure is important, but it's vital that such investments take place in the context of an overall strategy. Clearly, some dis-



tinctions can be drawn between purely local and regional transportation issues and those impacting on international trade. But ultimately, all such issues are connected, and the recommendation for a transportation authority with representation from all levels of government and the private sector makes good sense.

We recommend therefore that the government implement the Ontario Chamber of Commerce recommendation for a study of the prospects for establishing an Ontario transportation authority. I have copies of that paper here today if you need them. I think they were presented to the government on February 13.

I apologize in advance for the lengthy preamble on health care but it goes to the importance that the health care industry plays in the economy of London, so I'll take a little time on that one.

The province of Ontario will play a critical role in the future and quality of the health care sector in Canada. For its part, London, Ontario has historically enjoyed a respected place among the world leaders in health sciences. As a result, we have also benefited from the many economic spinoffs associated with a strong health care sector. Research and development, the creation of new biotech businesses, investment and job creation can all be tied to how well or how poorly our health care sector performs. Typically, for every dollar spent by hospitals, between \$2 and \$3 is generated in additional economic activity in the community through purchasing, construction, taxes, consumer spending etc.

There is also a direct correlation between the wellbeing of our hospitals and the future sustainability of our universities and research institutes. The three often work hand in hand on research projects and joint ventures and one can be weakened without the sustained strength of the others. London's hospitals have garnered well-deserved credit for their efforts in being the first in Ontario to respond positively to the challenge of restructuring. Not only did they embrace change, they demonstrated their leadership for all to follow throughout the province.

In our 1998 position statement, *Health Care Infrastructure Plays Key Role in London's Economy*, the chamber attempted to compare investment in health care facilities with that of traditional infrastructure expenditure, namely roads, sewers and bridges. The belief was, and still is, that if we don't look after our health care infrastructure, it will shrink along with the economic advantages associated with a healthy health care sector.

Communities like Calgary, Edmonton and Winnipeg are poised to pounce on any health-related economic advantage they can wrestle away from Ontario and indeed London. On a broader scale, Rochester, Minnesota, Boston, Detroit, Cleveland and Buffalo, to name a few, are continuing to look for opportunities to capture a larger share of Ontario's health care market.

The chamber's infrastructure statement goes on to point out that investment in the health care sector is an investment in an environment that promotes growth in new ideas, new research and development, as well as education and patient care that will enhance the wellness,

spirit and quality of life for the millions who rely on its sustained viability.

Any sector that contributes nearly 14% to a community's overall economy and 13% of the total tax revenues, as is the case in London, warrants particular attention, in our view. With over 879,000 clinical visits per year, which translates into \$44 million in local spending—a fact which is not lost on suppliers, area retailers, hoteliers and restaurants and, I might add, local governments and provincial governments—our hospitals need the continued support of our provincial government. What may be more important to London is the added economic potential that a sustained health care sector can have on our futures.

#### 1040

Our recommendations are as follows: the London Chamber of Commerce joins with area MPPs Frank Mazzilli, Dianne Cunningham and Bob Wood in support of hospital restructuring at London Health Sciences Centre and St Joseph's Health Centre. It's now clear that the original cost sharing agreement whereby the Ministry of Health and Long-Term Care would contribute \$150 million of the \$280 million projected cost must be revisited due to unforeseen costs and a need to respond to a longer-term vision. Changes to the building code requirements, in conjunction with asbestos removal and the increased cost in construction material as well, as associated inflation costs over the past three years, make it critically important to revisit this agreement.

Renovations to certain facilities are no longer feasible and new construction will have to replace older, unsuitable buildings. Furthermore, more extensive renovating for patient flow and efficiency needs is required. A revised plan by the joint committee estimates an increase in costs of over \$90 million to cover these additional expenses. The ministry leaders have visited the site and recognize the need to advance these projects.

While Londoners and area residents are unwavering in their support of the restructuring initiative, there is a concern that the \$90-million shortfall cannot be absorbed through more fundraising. The community partners involved have reached their limit in terms of their contribution capabilities, and for this reason we are requesting that the ministry address this issue forthwith. This is a matter of some urgency as we focus our attention on providing the most efficient, professional and dedicated patient-centred facility available, all within certain time constraints.

Projects are currently at the ministry offices, and more projects are scheduled for the months of February and March, but stand unapproved. Decisions are needed now to advance hospital restructuring in London and in Ontario.

We therefore respectfully ask that you give serious consideration to increasing the Ministry of Health and Long-Term Care's financial commitment to this tremendous undertaking. With its completion, London would become the site of the first fully restructured facility in the province and a model for the future of Ontario.

On behalf of my colleagues today and the members of the London Chamber of Commerce, I would like to express our appreciation for the opportunity of sharing our views with you, and we trust that you will report back on your findings here today.

I would also reiterate our appreciation for having chosen London as one of your key stops in this consultation process, as we believe London and its people represent a true reflection of the Ontario mindset.

We'd be pleased to respond to any questions that you might have.

**The Chair:** Thank you very much. We have four minutes per caucus.

**Mr Kwinter:** Just a couple of observations. In your presentation you talk about an \$8-billion interest charge on the debt. The number, really, for this year is \$9.4 billion, so it's up about \$1.4 billion over what you estimate. You and others—other chambers of commerce and tax organizations—have actually targeted the fact that one of the top priorities has got to be the reduction of the debt. That crippling service charge, which is the third-largest item in the budget, really restricts the government's ability to do some of these other things.

You state that is your top priority, and then you go on to list all of these other things where you need increased funding. We hear that all the time. Of every single group that comes in here, no one has ever asked us to reduce the funding that they get. They all come in and say, "We need more funds for education," "We need more funds for health care," "We need more funds for child care," or "We need more funds for poverty." Then we have other groups, like yourselves, that come in and say, "We have to reduce the debt."

When the budget is struck, these numbers are all projected on what the best estimate is going to be of our gross domestic product, because there's a direct correlation to tax revenue and the growth of the economy. Those numbers are being reduced literally on a daily basis. We started out at 3.2%. The Treasurer has now announced it's going to be 2.8%. I saw a report in the paper today where an economist is saying it's going to be 1.6%. So we, as a committee, and the government have got to cope with a situation where the projections are going to be less than anticipated, and that's going to put tremendous pressure; it's going to make it very difficult to even keep a balanced budget, let alone address all of these pressures that people want. Do you have a comment? If you had to pick one item, would it be debt reduction or would it be some of these other things that you mentioned?

**Mr Macartney:** I guess the advantage that the government has today is that it has reached that point in its history where it has the fiscal flexibility and nimbleness to respond to that question. We think they've done a good job to date of, first of all, eliminating the deficit and contemplating further tax reductions. The difficulty with leadership, of course, is making those tough decisions. I know that Paul Martin uses the expression "suck and blow" and we anticipated that coming from certain individuals on this committee today.

We think that you can spend strategically within the current spending envelope and continue along the path of debt reduction and tax reduction at the same time. I agree, Mr Kwinter, that if the economy changes dramatically or it tends to mimic that of the United States, we're going to have to make some reassessments on spending and on debt reduction and on tax reduction. I think they can all be done incrementally but in a balanced way.

**Mr Christopherson:** I want to pursue the same line. You said we might have to do a reassessment. I think the question that was being posed was, if you do the reassessment and realize you can't do everything, which is the priority? Just to put a local reflection on it for me, on the front page of the Hamilton Spectator today is, "City Must Spend \$2 Billion on Sewers: Taxpayers Face Massive Bill for Hamilton's Aging Infrastructure." I can tell you, one of the leading proponents—it's interesting. I'm one of those who have been arguing for a long time we need to do this. It makes good economic sense, it helps local business, and of course the chamber is on side and everybody is recognizing this is a priority. But if you do this reassessment, as you just mentioned, and you can't do everything, does that mean you would want to change what you've said is the top priority?

**Mr Macartney:** Let me give you two responses to that, Mr Christopherson. One would be from a local perspective. Clearly, health care has such a huge impact on our economy here that we'd be remiss not to emphasize health care once again as our local priority. If you ask me the question on a provincial basis, which would be the number one priority, if left with only one choice: debt reduction.

**Mr Christopherson:** But that would mean in effect—

**Mr Macartney:** I know what the implications are.

**Mr Christopherson:** You realize you wouldn't get your funding for your hospital, we wouldn't get our infrastructure, and we wouldn't get the money we need for education.

**Mr Macartney:** But indirectly you would. I think the point is that by emphasizing debt reduction and reducing the amount of debt servicing charges, more of those dollars are then able to go into program spending.

**Mr Christopherson:** The difficulty I have is that we have almost six years of experience under that kind of thinking. I pointed out the other day that it works fine on the bottom line equation—when you take a look at tax rates and business activity etc, you can make that argument—but on the other side, it hasn't worked. The money has not found its way into our health care system. That's why you've got a crunch. It hasn't found its way into our education system. That's why we have teachers coming in and the university coming in before them, saying they've got to have this money in order to do these things. So that didn't work. I think it sounds good. That was during booming economic times that the one equation worked, but the other one didn't.

Now if we're into a situation where there's no money at all to be had, you're suggesting we're still going to leave this sit. I don't understand from a business case



how it makes sense to let the infrastructure of Hamilton and every other major urban centre in Ontario continue to fall apart; not to meet the needs of business in the education system, in terms of the skilled workers we will need in the future; and not to stay on top of our health care, which is one of the key attractions of doing business and living in Ontario. So help me. I can argue it from a social point of view, but I can also argue it from a business point of view. I don't understand how it makes good business sense.

**Mr Macartney:** I think your question has gone from which would our priority be to your assumption that if we picked a priority, it's at the cost of all other things, and that's not what I heard. We would not presume for a moment that if debt reduction became the single priority of this government, all other things would stop. We assume the economy is going to click along reasonably well.

Mr Kwinter, you're quite right, we've heard economic forecasts from a number of different sources. But I propose to you that if we had all the economists lined up end to end—you've heard the story before—you'd have a whole bunch of different forecasts ranging anywhere from 1% growth to 4% growth, and that's today. Those are current projections by the economists in this country. So I'm not sure where it's going to take us.

I can't answer your question, Mr Christopherson, on speculation, only that the math does work. In practice, I'm not sure. We'll have to be watchful and guarded in that regard.

1050

**Mr O'Toole:** The chamber of commerce is a very important commentator on business and community, so I commend you on your contribution here today and to your communities as well.

I do hear the three points. The debt issue: it may be better to speak about it as the deficit issue that was and the debt issue that is now. There is more work to be done, clearly, and they are a fiscal approach. They're certainly a longer-term approach to solving our infrastructure problems. I do hear the importance of education. We hear it—as has been said in most communities—and the health care issue, as being tops. So you've clearly identified the issues.

Just on a very important local issue, in fact I guess it's provincial: the whole issue of education and training—one of your comments—and the double cohort. In the broadest context of strengthening the curriculum to address the new knowledge-based economy, that has been part of what the education quality changes are about, and also to deal with the double cohort, the restructuring of our school system to make it common with other provinces and, in fact, better. The SuperBuild fund has over \$1 billion to create spaces for the double cohort. We heard the president, Paul Davenport, say this morning that they are in fact well underway to meet that challenge.

I want to talk in general terms for a moment, respecting your thorough presentation, about the issue of competitiveness. It really comes down to a dilemma, the

dilemma being which came first, the strong economy or the strong social infrastructure. I've heard you say here that the economy and its competitiveness in all its forms comes first; that government has no money itself, it just redistributes the money it collects from you. We've always said that a strong economy is the first part to building a strong society. In fact, if you look at the overall approach of the government—and it's hard to think that when I hear the daycare workers and the groups that work with homelessness and poverty; I am just as concerned. However, my solutions are, unlike Mr Christopherson—unfortunately, he's not here—more about the longer view.

You mentioned the debt and the load and how the debt doubled. We know the debt doubled. The debt doubled because of ineffective operating budgets and the inability to make tough choices. That's very difficult. Humanistically, compassionate choices are made. These are priorities that you were being asked about. So I commend you for giving a very thoughtful review of current government policies. There is a very difficult bridge ahead of us. Hopefully, we will all work together.

But the other part, health care, to mirror what you've said, the spending in health care was \$17.4 billion. That has grown to almost \$23 billion. That's almost a 30% increase, in quick numbers.

We are making investments in education. There has been no billion dollars taken out of education, despite what you hear. That's the bottom line. How it's spent may be an issue. If you have a minute or two to respond, just to see if I'm reading your message correctly, I would appreciate it.

**Mr Dunn:** If I can speak to that, I co-own a business that employs 70 people in London, and I can assure you that in my own case a healthy business means doing what we can in the economy for social issues, or whatever the case may be. In our own situation, we've been able to eliminate our debt at our company. By doing so, we can invest a lot more in machinery and people. Regarding social issues, we contribute a lot more to the local economy, various charitable organizations and such. I think that's a top priority. It's not even for my own business; it's through a chamber and through a whole community. That's why I would encourage, even on the debt situation—it's the cart before the horse. We have to tackle this debt, and as we do it, a lot more money will flow for other sectors, and we can spend it wisely.

**The Chair:** We've run out of time. On behalf of the committee, thank you very much for your presentation this morning. Gerry, nice to see you again.

**Mr Macartney:** It's nice to see you again, Marcel. It's great to have you in London.

**The Chair:** It's our pleasure to be here.

## INVESTING IN CHILDREN

**The Chair:** Our next presentation is from Investing in Children. Could the presenter come forward, and state your name for the record, please. On behalf of the committee, welcome.

**Ms Jan Lubell:** My name is Jan Lubell, and I am the project director of several London initiatives, which after Thursday of this week, are going to become an amalgamated whole: Investing in Children, Kids Count and the London Investment in Education Council. For the past decade, these three organizations have assumed a leadership role in facilitating system responses and solutions to local issues having to do with the growth and development of our children and, ultimately, the health and prosperity of our whole community.

Investing in Children was pleased to be named one of five provincial demonstration projects for the early years project in the fall of 1999. We are very proud of the accomplishments and success we have achieved in terms of this project. In 1997, Kids Count was the recipient of the Peter F. Drucker Award for innovation in the non-profit sector, recognizing work in building capacity in disadvantaged neighbourhoods. The London Investment in Education Council has initiated and facilitated a number of successful ventures in London, including Take Your Kids to Work Day, Do Jobs Grow on Trees? and the Bridges program, all of which relate to school-to-work issues.

By raising issues and community awareness, by building coalitions among all sectors in the community to support planning and change processes, and by working to strengthen the capacity of our neighbourhoods and their residents to seek solutions to local problems, we have facilitated collaborative partnerships for change and a top-down, bottom-up approach to problem-solving. We then go on and advocate for the steps to make the change happen, and any programs developed under our leadership are incubated only to a position of strength and sustainability. Our role is not to run programs but to hand them off to the community for further continuation.

Another goal of our initiative—and we're quite aware of the need to evaluate our progress. We want to answer critical questions: how do we know we've achieved what we set out to do, how are we accountable for resources spent in pursuit of system change, and do the changes we've proposed really make a difference? Good evaluation that considers programs, processes and policies takes time. We are well on our way with a number of baseline measures in our community. We've done a first-step community report card, which I think you'll find in your folders that I passed out, and we've done, through the early years initiative, local readiness-to-learn measures for all of our kindergarteners in London.

From this vantage point, I am pleased to have the opportunity to raise resource allocation issues with you on behalf of my organization. I have attached a list of members, and you can see from the list that we are a collaborative group of all of the key local leaders in our community. We have people from all sectors: education, health, social services, recreation. We have business leaders. We have a whole range of people. We're all working together to try to make a difference to children and their families in London.

Very briefly, I'll just run through the few recommendations we have. They have more to do with the

"how," I think: some ideas for how government programs can come to groups like ours which are dealing with services that deal with people.

We ask you to consider the following issues: ensuring and supporting local authority for decision-making and program development; providing government support to operational infrastructure needs of local agencies, including staffing and administrative costs, not just resources for program innovation. This speaks to the sustainability issue. We want to see attention given to prevention programs, providing sufficient and continuing supports to those who carry out activities at this very early level of capacity-building. We want to have you think about providing financial support to designated groups or organizations which can assume local accountability for improving community awareness, building coalitions for project support, ensuring collaborative service delivery and evaluating the success of local programs. Lastly, we'd ask you to think about multi-year funding streams and taking away some of the departmental barriers for funding between health, education, recreation and social services, which to us at the local, "doing" level are probably more critical than you may imagine at the theoretical, provincial level. So I'll just continue; I'll basically read what I have.

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We seem to be in a time of changing paradigms here. The first paradigm is the family responsibility one. This reflects the view that it's the family unit that should and must take care of its own children. This outlook is primarily supported through tax incentives, school supports and child care policies. London's own city council tends to have that viewpoint about families taking care of their own children.

The other perspective—and by our name, Investing in Children, you can see that's the one we subscribe to—is called the "investing in children" paradigm. It calls on all sectors within a community to focus on the needs of children—all and anyone's children—and to provide financial supports for programs that assist children's growth and development. This could be referred to as the "it takes a village" viewpoint. The direction of provincial funding dedicated to the early years seems to reflect this particular value.

Locally, I think we've been good about accommodating both perspectives and knowing that in the changing world no one way is going to achieve anything. So I don't think it's our purpose to say we need to be all on the bandwagon for one or another. I think living with pieces of both is something that we have done and will continue to do well.

One of the issues that's critical in our community today—and I'm hoping if you hear nothing else, it's going to be this one—is the issue of local authority. It's been raised prominently by the new directions and guidelines relating to the early years initiative. Those of us who were demonstration projects enjoyed a great deal of local autonomy to build and make decisions around what was good for our communities. Although we



worked clearly within provincial goals and guidelines, and provincial visions, that freedom to act as was correct in our own communities has resulted in collaborative integrating solutions for local program development. It's been centred squarely around the needs of young children and their families. Our accomplishments promise a culture change in terms of how we approach and support early child learning opportunities.

The funding model recently announced for the early years challenge fund reflects, on the contrary, a very controlling top-down process and provincial ownership, rather than what we think ought to be the desired provincial leadership. It does not, in our view, support collaborative processes, cross-sectoral coalition-building or a system of shared contributions.

We'd like to call for a fairly rapid transition back to local authority, both in reality and in perception, and think this can be maintained with due recognition to the province for its mandated leadership. It can be maintained within guidelines that protect principles such as inclusion, access, availability and multi-sector contributions. We understand that the vision and its management are provincial roles. In this case, we applaud the province for taking a good step in terms of early years. However, we would caution that a top-down, bottom-up approach will derive greater local buy-in, better processes and a greater accomplishment of goals.

So local authority to make funding and allocation decisions based on local needs and meeting a local service plan and operating model is strongly recommended.

The issue of sustainability is another one that comes to the fore when we're working in an arena where we're actually trying to make things happen locally. Over time, we've had a sizeable number of innovation opportunities that have come from the province to communities in a variety of sectors. Generally, these are greeted with enthusiasm and energy as local groups undertake development processes to try to put them in place. The work is usually supported by start-up or short-term innovation funding. However, it's too often been the experience in our community that by the end of the pilot phase either not enough change has happened at the community systems level or no change in choices has been made at individual agencies' program level. The innovative structure fails to continue for want of financial support. Our community, like others, is littered with good intentions that have been tried and failed.

Another reason why programs die after a spurt of initial activity is the lack of longer-term infrastructure support from the government level. Program elements might be picked up through donations and existing organizational staffing levels might pick up incremental increases for the short term. However, without sufficient funding to support longer-term operations, the programs simply expire. We've learned through the demonstration projects for the Early Years that although businesses and the voluntary and service sectors are able, and in fact quite happy, to pick up in-kind supports or cash toward the trial phase of programs or one-time funding for

tangible items, they simply can't be counted on to carry staffing and administrative costs nor unending program costs.

As a remedy, we would recommend that pilot funding for new programs ensure ample attention to staff and administrative issues, not just to program components. We're recommending also that you think about multi-year funding. This would give the community a longer time to build collaborative structures relating to sustainability, to assess opportunities for shared contributions toward program continuation and to evaluate which parts of the pilot result in greatest benefits. The evaluation component could certainly be a requirement for continued infrastructure support. It would seem that this approach would speak to supporting innovations so that they might really have a chance to work. Otherwise, the investment of resources in the short-term innovation models is indeed wasted.

In addition, it would seem that every provincial regional unit would benefit from financial support to enable some sort of local group that could have accountability for leading and in fact driving the move toward program integration, increased collaboration, community awareness about exemplary practices and making new solutions happen.

This is not a call for a return of the old style of information-sharing, service-provider planning groups nor is it a call for heavy infusions of resources to well-intentioned groups that meet together without an accountability for producing change. But it is a recognition that change in a community does require time, resources and a leader to make change happen. It recognizes that existing agencies, that themselves feel cash-strapped, cannot find contributions or resources to dedicate to this function. Finally, it recognizes that a group of community members outside any agency may be the best vehicle to achieve collaborative change.

What the group will look like in any community depends on what already exists, where it derives its mandate, to whom it is accountable, and for what purpose. In London, it could be the Early Years Council, it could be a body somewhat like our former Coordinating Council for Children and Youth, or it could be something like the one that I'm heading up now, our own current initiative of Investing in Children/Kids Count/London Investment in Education Council. Supportive funding with a multi-year term gives the freedom to carry out activities toward agreed upon goals.

Prevention Programs: Our strong recommendation must be for greater attention to prevention-oriented programs for children and their families before they require very sophisticated, very costly out-of-home and therapeutic care; for greater operational supports for community-based groups that struggle with the daily, front-line needs of children and families and who do excellent early intervention work; and for supports for those needs that research tells us are important to children as they grow. We already know, from what is working in other communities, what works and we need to be able to do

that: recreation, skill-building and cultural opportunities and activities, good nutrition, safe housing, mentored leisure time and leadership development activities. These are called the determinants of health and learning.

London has been proud of its many achievements relating to children and youth and has a good community capacity to continue this work. We are supportive and appreciative of recent provincial initiatives such as literacy improvement programs in schools, improved financial support to the children's aid society, early health identification programs for children, and focused attention on the Early Years project. The latter, especially, has great potential as a foundation for collaborative, cross-sectoral, prevention-oriented programming and for bringing about a community culture change about our children.

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In conclusion, then, we can ask the province to pay attention to several key issues that would greatly improve the efficiency and effectiveness of service delivery, would meet the demonstrated developmental needs of children, and assist in the culture change required to make the community systems more vital and sustainable.

As I said, it's not a question of asking for more money. It's a question of addressing the question of how: how the money comes down, how we're allowed to use it. Just to repeat, we're looking for local authority respecting decision-making and program development. We're looking for some attention and support to core operational needs, not just to program innovation elements. We're looking for greater attention to prevention programs, and hopefully over the long run—we know from research some of the things that are being done do make a difference.

We're looking for the thought about supporting some specified local groups to assume accountability for this whole area of raising awareness, building coalitions, ensuring collaborative service delivery and evaluating the success of local programs.

Finally, we're asking that you think about multi-year funding streams. Otherwise, all these innovative ideas come upon an organization which needs to spend that year getting it up and running, doing it, evaluating and then searching for more funding to continue it. It's a lot to ask of any group in our city.

Thank you for your attention. I appreciate the opportunity to raise these issues and I'm pleased to answer any questions.

**The Vice-Chair (Mr Doug Galt):** Thank you very much for your presentation. We have approximately three minutes per caucus. We'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. On the conclusions, I know you made the point that you're not necessarily asking for money per se, but I did note that out of the five recommendations four pertain to funding one way or another. Correct?

**Ms Lubell:** I suppose you're right, yes.

**Mr Christopherson:** It's just important because, if there are things that can make a huge difference that

don't cost anything, you could probably get automatic unanimous support from all of us and we'd do whatever we could to move it.

**Ms Lubell:** I was going to say, if you did the multi-funding streams and gave greater authority locally to figure out how to do this collaboratively, then there's a shared contribution, there's a synergy in what people can contribute. I think that would do it without more money.

**Mr Christopherson:** Is it your experience that London knows already how to work? Some communities seem to have a really great network in them and there are others—I won't get into names but there are some that are known for being very siloed and compartmentalized. I assume you're expressing to us that London clearly has that ability, has those—

**Ms Lubell:** London does have a very fine—

**Mr Christopherson:** Could you give other examples that are outside this particular—

**Ms Lubell:** Of working together?

**Mr Christopherson:** Yes, in an innovative way, where the local authority in decision-making made a difference.

**Ms Lubell:** I'm trying to think right now, and they involve Kids Count, let's say, that I'm also involved with. The school literacy programs now are certainly in that, K to 3. Because we were the demonstration project for Early Years, we came along and we've talked together. I had the occasion to address all the principals in the school system a couple of weeks ago and I've had many calls. We're trying to figure out how to do something different at that school entry level, working together among us.

We've got certainly the other organizations such as Merrymount Children's Centre, the children's aid, Madame Vanier. We've got all kinds of groupings of organizations that are working together. Now it happens that, through the Early Years demonstration project, we were able to raise \$100,000 from businesses, from volunteer groups, and then that was matched. We've developed 25 neighbourhood centres for Early Years. This all comes about, not just through one organization or one person, but from all of us working together. It's an excellent community. I think London would be a good place to pilot some of these things if you wanted to. Over the years—and I've certainly been working in the community for a long time here, and I think over the years we've had really excellent relationships and good working together.

**Mr Christopherson:** Very good. Thanks very much.

**The Vice-Chair:** We'll move on to the government side. Mr Arnott and then Mr O'Toole.

**Mr Arnott:** Thank you, Ms Lubell, for your presentation this morning. I've reviewed the material you've given us, and it's certainly evident from the package that you have substantial community support. That's a testimony to the work you do, but also to the efforts you put forward to bring that together, because it's not easy and it doesn't just come about by accident. So I want to compliment you on the work you've done.



I want to ask you about the issue of local authority that you mentioned. You've indicated that the demonstration projects for the Early Years program allowed for a great deal of local autonomy, but that the new early years challenge fund doesn't give you that same degree of autonomy.

If you could just illustrate that with a few examples as to how that's the case, that might be helpful for us as committee members to bring the view forward.

**Ms Lubell:** Maybe the easiest one is, in terms of developing a model for how we might meet the needs of these young children and their families—we developed all kinds of committees and focus groups and whatever. Together with a whole variety and range of service providers and parents and business representatives, we came up with a model which is really a network of neighbourhood centres.

It involves a number of places making contributions. For example, Merrymount Children's Centre, which I'm really well familiar with because I used to be the executive director there for quite some time, does a program in the community. They said, "Why don't we take our program to your neighbourhood centres?" We talked to Orchestra London, we talked to the art gallery and we talked to the children's museum, and all of them said, "OK, we'll work with you and we'll be glad to go out into your centres, into your neighbourhoods and do programming with you." It's easier, certainly, to operate through one channel for all of them than to go to every one.

We arranged with Dr Barry Onslow at Althouse College and we have together developed a curriculum for family math for preschoolers. He's got a wonderful set-up. He's got an Esso family math program which primarily has been doing things for school-age kids, so we said, "How about preschoolers?" "Fine." So, collaboratively the curriculum was developed. The education students were trained to take it out into the community. We worked with community groups to develop where it would go. This is the kind of thing we've been doing.

The early years challenge fund now, as it's set up—I may be reading it wrong, it's not quite in place yet, but it seems to me it's going to encourage organizations to apply for dollars to bring their matching funds. It's not going to do much to get them working together in a synergistic way. It's going to just perpetuate the old, "I'm going to try to get money for my own organization." True, it's for the kids, but it's for your own organization. It's just going to keep that splintering.

I think, because we had the opportunity to work differently, in achieving the same results, we can all evaluate what's happening. I think it promoted greater synergy, greater collaboration. I hope that explains that.

**The Vice-Chair:** We're really out of time, but I'll allow you a 30-second quick question.

**Mr O'Toole:** Ms Lubell, I'm really focusing on the removing of barriers between organizations like health, education, recreation and children's services, and most of your presentation looks like a window there.

How do you deal with the organizational legitimacy of the credentialling—only certain people can do certain things, compartmentalized thinking? The curriculum in math is a good example. If you developed it and you're not an educator, well—I think I've made my point.

**The Vice-Chair:** We'll move on to the official opposition.

**Mr Hoy:** Good morning. Thank you for your presentation. You did spend a fair bit of time—you mentioned in a number of different spots in your brief the need for funding and the attention to staff and administration. Are you fearful that these programs will fail if the government does not provide money for staff?

**Ms Lubell:** Past experience shows that a lot of these innovations are great ideas, and people seize on them and they're able to keep them going for a very short time. But because they tend to be only focused on the program innovation parts, and the dollars are given for that, over time an organization isn't able to sustain that because it's too big a drain on its other resources. You can do anything for a short time, but I think if we're going to look at long-term sustainability, we really need to pay some attention to administrative costs. By and large, programs haven't tended to do that.

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**Mr Hoy:** You mentioned a three-year funding model, for example. Do you have a recommendation as to who would provide the government with that three-year funding request? Someone is going to have to look at what the needs are and what the community needs here at the local level. Do you have a suggestion how it would be done or who would provide the government with those figures?

**Ms Lubell:** If a call for proposals came or something, I'd like to see any proposal have to come from more than one place. It'd like to see it have to come from more than one sector. If you put something in for a three-year proposal, let's say, or a multi-year stream, I could see requiring, certainly, some kind of evaluation of outputs—not outcomes but outputs—at strategic levels. I could certainly see that kind of reporting thing. I could see groups getting together and being able to apply. But it's the length of time, because you honestly need a bit longer than people think is necessary to get something sustainable going.

**The Chair:** On behalf of the committee, thank you very much for your presentation this morning.

I would like to remind the members and the staff that we have to check out of the room by 12. For lunch we have reservations in Tuscany's Bistro. It sounds pretty exotic.

#### LONDON AND DISTRICT LABOUR COUNCIL

**The Chair:** Our next presentation is from the London and District Labour Council. I would ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome.

**Mr Gil Warren:** Thank you. It's Gil Warren, London and District Labour Council. We represent most of the unionized workers in London, Ontario. I'm the president of the labour council. I want to thank you today for giving us an opportunity to speak to the committee about the upcoming provincial budget. We have a lot of ideas. I think many of them are different from those of the government; I recognize that. Some of them are even a little different from those of the NDP. However, I'd like to have a discussion. I get half an hour, is that correct? Maybe I could keep it down to 10 or 15 minutes on the presentation side, and we can do some questions. I notice that you gave me the time just before lunch, when everybody's kind of grumpy and wanting to eat, so I'll not be too hard on you.

**The Chair:** Although they're pretty well behaved. They're all on diets this morning.

**Mr Warren:** All right.

I thought of doing my usual 20-page speech and writing it all out and giving it to you, but I've sort of noticed that the longer I write, the less people pay attention, so I've got it really short today. I'll get to the page I handed out earlier, but I just want to make some comments ahead of time.

First of all, while we're pleased to be able to speak to this committee about the upcoming budget, our labour council was quite displeased that we weren't able to have public hearings on the Employment Standards Act in the fall. We repeatedly asked for that and didn't get it. I know perhaps it's not the responsibility of this committee, but it is of the government, that there should have been employment standards hearings. There were a lot of people in London who wanted to speak, and people from this area of southwestern Ontario: St Thomas, Woodstock, Chatham and that sort of thing. So perhaps you could carry that message back.

The theme of this is apparently what to do with the surplus that we have with the provincial government. We wanted to make some comments about that. First of all, our key concern is that, yes, we agree there is a surplus in the provincial budget for this year. We still have a very large debt, but the deficit on a year-to-year basis has been eliminated. Our point is, how did we get to a surplus? What we feel is that, one, the government was lucky that we've had a very prosperous economy in the last two or three years, especially in the United States, and that's basically why there is a surplus to some extent. The other factor is that this government made massive cuts to provincial programs in health and in education and social spending, in the Ministry of the Environment, in social housing. So we feel that on the one hand the surplus is due to good luck in terms of the economy, and on the other hand that you did cut billions and billions of dollars from provincial spending.

Our position is that if there is a surplus, that money should be put back into social spending. For instance, we see in Toronto now 100,000 homeless people. It's just outrageous that we're not spending money, both provincially and federally, to house those people. The problem is that we're all so overwhelmed by the details

of life that we lose track of the big picture, and the big picture is that there have been massive social spending cuts both provincially and federally, and our labour council's position is that we want that spending money put back. We're not asking for greater spending than what we had, say, in 1990; we're just asking that it be restored. That's the central message we want to get out.

When the provincial government claims credit for the surplus and good economic times, I think we have to ask the question, "What about the federal government? Surely they must get some credit too." It's a 50-50 deal in the scheme of things here, so we wanted to get that concept in as well.

The other point about spending, when we say that we want to go back to the spending levels we had in the 1990s, we're not even accounting for inflation, which has been running at 2% or 3% per year, or the fact that our population is growing numerically with immigration, and also that it's an aging population. So to restore funding to previous levels, you have to take into account the fact that you've had inflation of 2% or 3% per year.

These aren't just my opinions. We had some discussions at our labour council before I came to make this presentation about what people wanted to say. The labour councillor from the bus drivers' union wanted to have some comments put in and the retired GM worker wanted some comments, so I've included those in our comments today.

Another point we want to make about the surplus is that we think it could have been even bigger if the provincial government hadn't done the tax cuts that we've seen over the last two or three years. Those tax cuts actually came when we were not in a surplus position with the budget but when we were actually still in a deficit position. Basically those tax cut dollars were borrowed and added to the provincial debt, and we think that's kind of strange, because this government has made so much about the issue of the debt and how it increased with previous governments. But at the same time they're willing, for political purposes, to gain popular support, to do a tax cut that's funded with borrowed money. It doesn't make too much sense.

The other thing is that when previous NDP and Liberal governments were spending a lot of money on social programs—and, by the way, those did not increase dramatically; that spending was basically either level or actually decreased, for instance, under the Rae government—we had a situation where governments were spending money on social programs but your government came in and then started to cut on those programs. Our feeling is that, yes, the dollar deficit has gone down, but the social deficit of this government has gone up. We see it as a deficit when you have homeless people or you have people on welfare who are getting a lot less money than they used to, and we see it when there's a health problem or an environmental problem. We feel there is a need to look at the social deficit side of things.

What about the debt? That's curious, because when you told us you had to cut back on social programs, you



told us it was because there was this terrible debt of billions and billions of dollars and that we had to get rid of the debt. But when you get to a surplus position in terms of your revenue, suddenly the issue becomes tax cuts. We wondered, did you really believe in the deficit thing or the debt issue, or was it all just posturing to get rid of social programs and to decrease taxes on the wealthy? That's a very serious issue we should look at.

1130

The other concern we have is—in the last few months it's become really clear—that the Ontario economy is headed into a recession, and the Canadian economy. It started in the United States. It's been a very rapid recession that has amounted to thousands and thousands of layoffs, both in the States and here in Canada, in the auto industry and the high-tech industry.

We say that if you have some surplus dollars floating around, you'd better save them because you're soon going to be in a situation similar to what Bob Rae had when he took power. He rolled into power and then suddenly there was a very great recession, with a decline in tax revenue and increased spending costs. Our feeling is that when the recession comes, there will need to be dollars for increased public works programs and job creation. There's a great need there.

One of the things you did as a government was very cleverly to split some of the responsibilities between the province and the municipalities, and you downloaded things like social housing and public transit. Our concern there is that now that there's a recession coming, there's going to be a great need for increased welfare payments because people are being laid off and they're losing their jobs. So who's going to pay for that? Now it's going to be the municipalities trying to cover increased welfare costs. In southwestern Ontario in the early 1990s, we had massive layoffs and massive unemployment and the welfare rolls rose dramatically.

This government boasts that they've reduced the welfare rolls. Part of that is because the economy was prosperous, and now we have a situation where it's going to go into recession again. Are the resources there to cover the welfare costs? It's not a case that on January 1, 2001, the working class suddenly becomes lazy and all apply for welfare. The problem is that they lose their jobs. Unemployment insurance federally doesn't cover. Now only 33% of the people who become unemployed are eligible for UI. So that cost is passed on to the province and on to the municipalities.

People go on social assistance because they don't have a job. When there's work, they go back to work. That's the simple reality of it. We just don't know how the cities are going to be able to cope, especially with social housing. They can't cope now with the social housing need. How are they going to cope with it when there are two or three times more people who are homeless due to unemployment?

We want to talk for a minute about the issue of tax cuts, and that's what I handed out here, this one-page paper. On one side it says, "\$1 Billion Worth of Jobs."

On the other side it says, "MOEE Staff." We won't talk about the Ministry of Environment staff just at the moment; we want to talk about the \$1 billion worth of jobs. Perhaps you could just write on the top there that this is part of the presentation from the London labour council.

Sometimes in life something just comes along that sums up everything, and I think this chart does. I want to take a minute to go through it because it really does show a tremendous difference in approach. This is from an alternative federal budget that was produced a few years back, and I've had it in my files and I always like to get it out and have people take a look at it. I acknowledge that this study was done, as you can see, by Informetrica, which is a legitimate company that does research on the economy with economists.

They're looking at, and you can see it at the top: if you had \$1 billion to spend, what would you do with it? It says, "\$1 Billion Worth of Jobs." It says, "Job creation impact of \$1 billion worth of various federal government actions." So this study was done for the federal alternative budget, but I'll bet you that this committee has the resources to find another economic company that would do the same thing for the province. What it says, and this is really significant, is that if the federal government directly hires new workers, for instance, whether they be federal government employees or whether they be nurses or whether they be transit workers or whatever—you can see the number over there—56,000 jobs are created. That's really significant. As you run down the column you see, "Spending on goods and services." So this is government purchasing for supplies and things; if you had \$1 billion, you would create 28,000 jobs. "Infrastructure spending": this is building a bridge, for instance, or a railway, high-speed, inter-city public transit or whatever; \$1 billion spent on that creates 26,000 jobs.

GST cuts—there's a tax cut—would create 17,000 jobs, but what this says is that different types of tax cuts will create greater or lesser numbers of jobs for the same amount of money: \$1 billion. Corporate tax cuts would create 14,000 jobs. Personal income tax cuts would only create 12,000. Payroll tax cuts would only create 9,000. Now that we're at the bottom of the column there, 9,000 jobs created from payroll tax cuts, notice how direct hiring created 56,000. Your government says when they do tax cuts—and you're not the only one; I've seen the federal Liberal Minister of Finance do exactly the same thing—"Oh, the economy's going into recession. Our tax cuts are arriving at just the right time because we can create jobs by reducing personal taxes or payroll taxes." That's true, but it's not really the story. The story is that while you create some jobs with a tax cut, you can create thousands more by direct hiring: by hiring a nurse, by hiring a teacher, by hiring a city worker. That's our point.

I wonder why it is this little chart, that I had to dig out of the federal alternative budget, is not in the media. The media don't pay attention to this issue. They just blandly accept the idea that personal tax cuts create jobs. But I'm

saying, as a labour person, as a taxpayer, I like good value for my money. Right? I'm not a spendthrift personally. Neither is our organization. We have employees and we have to meet payroll. What I'm saying is, if the government has \$1 billion, let's put it to good use. Let's not do personal tax cuts; let's do something like direct hiring.

Just to explain why this happens, if you give someone a personal tax cut and they're a millionaire, they can go and buy a car, for instance, a German sports car made in Germany. No automotive jobs are created. You guys have given this person the tax cut, and that's what they do with the money. Even if they invest it, they could invest it in a hotel in Thailand. It doesn't do anything for our economy. But if you do a direct hire, if you hire a nurse who is working-class person, the odds are they're going to spend most of their money in the local economy. That's why it creates more jobs. Also, if you spend the money and build a bridge, the bridge isn't going anywhere once you've built it. The bridge stays right there. You might be able to sell the bridge, but the bridge isn't leaving the community. However, if you do personal tax cuts, that money can go anywhere. It's not like the bridge; it doesn't stay in the community. That's our point.

We're saying we would like to see social spending restored. We disagree with the whole approach of the last 20 years of Margaret Thatcher, Ronald Reagan, Premier Harris and the right-wing agenda, which said, "The way to create jobs is to go for personal income tax cuts." We do not agree with that.

A couple more minutes, a couple more points. Another point we notice here in London is that when we get into a recession, the layoffs happen right up front. They're happening right now every day in the paper, thousands and thousands of layoffs. The economy's actually at its very peak right now. There's panic in the media and we get big layoffs. Those layoffs tend to be way over what is needed; in fact, the company ends up without enough people in a few months. But what happens in terms of our local economy is that it might take five years for the employment level to get back to where it was just before Christmas. We're seeing an incredibly long time before the employment levels get back up, and it's at the peak of the next business cycle. We have short-term levels of unemployment, maybe at 6%, and then it quickly goes back to 12%. We never did reach the level of the States, which was looking at 2% or 3% unemployment. There are some real problems here in our economy, and there are still millions and millions of unemployed people, underemployed people and people who are going to school because they can't find a job. We think the emphasis should be on social spending and job creation.

I've just about used up my 15 minutes. I had another page of stuff, which I won't get into, but if you want to ask some questions or have a little debate here, I'd be happy to respond.

**The Chair:** Thank you very much. We have five minutes per caucus, and I'll start with the government side.

**Mrs Molinari:** Thank you very much for your presentation. I'm hearing you say that you disagree with a number of initiatives this government has taken and some of the initiatives of the NDP. It's difficult, when one is in government, to make decisions that are going to please everybody. Sometimes no party is going to please some people. So I'm interested to hear you say that.

**1140**

I want to put on the record some clarification on some of the comments you've made. There's a number I could address, but with the shortness of time I will focus on your comments with respect to health and the fact that you indicated in your presentation that health care spending has gone down. I want to clarify that.

In 1995, the Ontario government made a commitment to protect health care operating spending at \$17.4 billion, and that commitment was exceeded. In fact, health care spending in 1995-96 was \$17.6 billion, and it's been increasing every year ever since. As of the third-quarter finances for 2000-01, the base operating spending is \$22.5 billion. That's an increase of \$4.9 billion since 1994-95. While the government promised last year to invest \$22.7 billion in health care by 2003-04, that target will be achieved by next year, two full years ahead of schedule. This year, the base operating spending on health care is increasing by \$2.1 billion over 1999-2000 actual expenditures, and the increase is primarily due to a number of new measures and initiatives that this government has taken forward.

You've also talked about the federal government and their responsibility with respect to health care. As our Premier stated, the federal government should pay 18% of the nation's total health and social program bill. This is a level that was supported before it started making the major reductions in funding in 1994-95. Also, what they included didn't account for the escalator, which would keep federal funding increases coming as fast as the cost of health care spending should be. The Canada health and social transfer cash entitlements are still not allocated among provinces on an equal per capita basis. I encourage you to also make presentations to our federal government, encouraging them to give Ontario its fair share of the Canada health and social transfer payments.

You mentioned in your presentation the \$1 billion that we should be investing. I think most of the presentations that have come forward in the last number of days are claiming that \$1 billion. It's been spent over and over again, if we were to take all of the recommendations that come forward with that money.

You also indicated in your presentation that tax cuts don't create a good economy and that you don't agree with that. Regardless of whether you agree or not, the facts show for themselves. Many economists have also indicated and agreed that tax cuts have created jobs, and the economy in Ontario is a direct result of the fiscal responsibility that this government has exercised.

**The Chair:** You have one minute left.

**Mrs Molinari:** In the one minute then, I would like to ask a question and get a response. It's to do with your



disagreements with major governments. I want to know your opinion on the NDP's social contract.

**Mr Warren:** I opposed the social contract. You're only going to give me a minute, so it's a long answer.

**Mr Christopherson:** You can do better than that, Tina.

**Mr Warren:** But let me point out that I did not say that a tax cut did not create jobs. I took five minutes going through there. Your line you gave me was the line the government gives back. I very clearly pointed out that direct hiring creates more jobs. I didn't say that tax cuts didn't create jobs.

**Mrs Molinari:** You said you didn't agree with that.

**Mr Warren:** I don't agree with your direction. But be clear about what I said. I said direct spending creates more jobs. That's the whole point.

**The Chair:** With that, I have to go to the official opposition, Mr Hoy.

**Mr Hoy:** Thank you very much for being here this morning. You did indeed touch on a great many issues: housing, social housing specifically, municipalities and downloading and the pressures they're under. I took note of that as well.

You spent time talking about health care. Saturday of this week, I met with some workers whose plant is earmarked to move to the southern states, and it was made fairly clear that one of the advantages those workers talked about was our health care system here as in comparison to the United States. They want that preserved—I suspect you do as well, from your comments—and that our education must be funded properly. We've had presentations made here this morning in that regard to children and/or students by three other groups out of six. You touched on education as well and the fact that we have an excellent workforce here. We have a lot of good things happening in Ontario, but we need to continue to fund those in a proper way.

I believe it's much easier to govern when times are good. The real test now for the current government will be when we're in this downturn, to say the least. Some predict a recession. It will be interesting to see if the government blames this on the United States, because they never thanked the United States for those years of good times just prior to this.

You have an opposition to tax cuts. Is that something you've held in the past, or is this something you see now as the wrong way to go with a softening of the economy? Have you always been philosophically opposed to it, or do you say that now that the economy is softening and we need to shore up health care, education and other social aspects?

**Mr Warren:** To answer that question, I am saying that right now with the economy going down, tax cuts are definitely not the way to go. That's very clear. In terms of my long-term view, if the government has no deficit and a balanced budget and it's covered all its social obligations in terms of social spending and there's money left over, fine, do a tax cut. But it's a balancing thing and it's a matter of choices. It's not a situation where we

don't have a choice. There are many choices here. It depends on what your objectives are. I say tax cuts are a tool, but I think it's just totally overblown now, the emphasis on tax cuts. People have a vested interest in paying less in taxes in the short term, but they lose out in the long term because they don't get the social programs that are needed by everyone.

Just a comment on the health issue as well. We're not denying that the provincial government is spending more money on health care. The point we're making is, it's not keeping up with inflation. It's not keeping up with an aging population. It's not keeping up with an increased population. A lot of the money that's being spent by the provincial government, which is an increase in spending dollar-wise, is pouring into the multinational drug corporations to pay for patent drugs and a lot of the money is pouring into high-tech equipment. Our argument is that health care spending should be for preventive care, home care and things like that and, again, you might get much better value for your dollar. But the government just says, "We're spending more money on health care, so there's no problem." We're saying look at where the money's being spent, look at the problems of population increase.

**The Chair:** Mr Christopherson.

**Mr Christopherson:** Welcome, Gil. Thank you for your presentation. It's good to see you again. In light of Ms Molinari's approach, I wanted to ask you about an initiative by Premier Robarts in the 1960s and how you feel about it. You mentioned a lot of things, covered a lot of ground. I'm just so disappointed, Tina. You can do so much better. But I think it's a compliment to you. It shows she was really stuck. To be able to put you on the spot she had to reach back into the early 1990s.

I'm sure you're aware of Jim Stanford, an economist with CAW.

**Mr Warren:** I've read his material, yes.

**Mr Christopherson:** Did you read his material to the committee?

**Mr Warren:** No.

**Mr Christopherson:** Oh, I see. He came in before the committee and did a presentation, an excellent one I would highly recommend. You might want to pull it off the Hansard to read it. I think you'd find it very interesting.

The premise of his argument was that not only did cuts in personal income taxes not create jobs and contribute to the boom we had, he was arguing there really wasn't a tax cut. He talked about effective tax rates, meaning the amount of money in total that was available as disposable income by the population. His calculation—and I haven't heard anybody refute it yet, none of the Tory members at the time, none of the economists who came forward—no one has refuted his presentation. So, to this moment, it stands. His figures were that only \$689 million in 1999—which to you and me is a lot of money but in the context of the Ontario economy is pretty small—he said that's all that's available.

He was tying that to his anecdotal experience—and it's the same with me and a number of others—that the

average middle-class working person didn't even feel the income tax cut, that the money was so minuscule that it didn't affect their quality of life one way or the other. It wasn't until you get into the big dollars—

**Mr Warren:** I agree.

**Mr Christopherson:** —you know, you start getting into 200 grand and up, where you really start to see some serious money on an individual basis. But overall it didn't have any impact. I'll leave that with you and maybe you can comment on what you get back from your members across the London area in terms of the tax cut. Nobody argues the fact that it's human nature to not want to pay taxes. I think that's pretty obvious. But the fact remains, are you going to get the benefit you think you're getting just because they throw 75 bucks a month at you? That's pretty much the question.

I thought you did an excellent presentation, by the way. You covered a lot of ground. Obviously you know your stuff. You mentioned welfare. It's important to recognize that the other thing is that there will not only be more people going on social assistance—which was in part the contributing factor for our increased costs, because the free trade agreement kicked in, and hundreds of thousands of decent-paying jobs, especially in the industrial sector, were lost to our economy as a result. But this government has also changed and squeezed out an awful lot of people who otherwise would qualify for social assistance. I raised this earlier, and I raise it with you. You pointed out how few people already qualify for EI. What do you think is going to happen to those people and their families in the London area who don't qualify for EI, go to social assistance and don't qualify there? My question is, then what? Where exactly do they go?

I don't have a lot of time. Why don't I leave that with you and get you to sum up.

1150

**Mr Warren:** The answer to "Where do they go?" is that the family ends up living under a bridge and then they get cold or sick and die. That's where we're headed, and those are Third World conditions. It's outrageous that our most advanced civilization is disinherit thousands and thousands of people. We've seen that here in London. We've seen an increase in people who are absolutely, totally helpless and have no resources. They have no friends, they have no family in town and they're faced with living under a bridge. One wonders sometimes if the government wouldn't like all of those people to just go away forever.

On the issue of welfare, I agree the welfare costs have gone down because people got jobs. They've also gone down because all kinds of people have been disqualified for all kinds of picayune, silly reasons. There has been a campaign to remove the dignity of people on welfare. We think that's outrageous and it should be restored.

In terms of how people are doing with the tax cuts, I agree that for most of my workers in the labour movement, and these include people who make good wages like \$20 an hour, the tax cuts were nothing to them. It didn't matter, \$100 or \$75. In fact, when you factor in the

increased municipal sewer taxes, user fees and all the other additional taxes, I would argue there really hasn't been a tax cut, that any taxes that were reduced for average people have been taken back with user fees, recreation fees, school fees and on and on. However, there has been a tax cut for the very wealthy.

In the last couple of years, I will acknowledge the economy was doing not bad in terms of gross provincial product, in terms of the wages of the top 30%, stock value and things like that, and people made a lot of money, if they were in the top 30%. For the average worker who works at Ford or GM here in London, their income stayed about the same when you factor in inflation. For minimum-wage workers, there hasn't been a minimum-wage increase in this province since this government took power. With inflation at 2% or 3% per year, they're out by at least 10% or 12% compared to when the NDP were in power. For the people on welfare, their income went down with the welfare cut. What was that percentage?

**Mr Christopherson:** It was 21.6%.

**Mr Warren:** Some 21 points. Then we've had inflation for five years, with inflation at 2% or 3%. I'd say welfare people are 30% or 35%, a third, worse off than they were when the government came into power. It's the same for people on minimum wage. This economic boom went to the top 30%; it didn't go to the rest of us. That's the problem. If you're going to have an economic boom, it should be spread around. That's why governments have this role of redistributing wealth during the good times.

The other problem we look at is demand. Companies say the way to get more business is to cut costs, cut wages, cut raw material use or whatever. But the problem is, who's going to buy the product? We see it as totally the other way around. The problem is demand. If there aren't enough people working, making a decent wage, there's not enough demand, so your economy ends up overproducing, which is exactly what has happened now. We have surplus production and not enough people to buy stuff. That's the big contradiction. We can produce, but if we don't have people working, they can't buy and the economy goes down. That's why we're going into a recession right now.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this morning.

We'll recess until 1 o'clock this afternoon.

*The committee recessed from 1155 to 1257.*

## ADVANCE LONDON

**The Chair:** Good afternoon, everyone. I'd like to bring the meeting back to order. Our first presentation this afternoon is from Advance London, and I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome.

**Mr Dale Henderson:** My name is Dale Henderson, president of Advance London. I'm with Jeff Shervington, the chair of our finance committee for Advance London



and a small business owner, who certainly has an interest in small business as well as a speciality in finance law for corporations.

In front of you is a small package I've handed out. The first page has the three proposals that we want to put forth from Advance London and the back page is a little summary of our accomplishments in Advance London, where we set it up four years ago and united with about 450 business people in London to try to change the culture and the logistics of what happened in London. Many of our successes are shown there—the 30-odd—which included the formation of the London Economic Development Corp being spun off as a private-public partnership, and a lot of other things that are directly because of that initiative.

I guess I'll give just a one-minute background of myself, to give you an idea of just where we're coming from, from a business background. I'm a professional engineer who graduated 30 years ago and have been operating my own companies, eight companies to date—still in business—over those years. They include a high-tech company where we custom-design and build electronic equipment—we still do that—for GM, 3M, Northern Telecom and large companies; we have a farm operation going, Arondale Farms; we have a first private band radio station in London, Spirit Radio, that's on the air now as of last April.

I got a personal gaming licence years back, one of 24 they gave in the province and we, in 10 weeks, opened up a racetrack and created 85 jobs directly, and \$230,000 in tax and did \$5.6 million in sales in the first 85 days—I say “days”—of operation and sold to the agriculture society in Leamington; we also have a chain of medical clinics and we're setting up the Mayo Clinic of North America; as well as a school that I own.

So other than being the founding director of the London High Technology Association, and president for nine years and one of the founding directors of the small business centre in London, I've got a good idea of what it takes to create jobs. I've been doing it for many years with low finance.

The presentation: three proposals to create a minimum of 50,000 new Ontario jobs with no new provincial government expenditures. The spirit of what I want to say here is, how do we, without any new spending by the government, legislate to try to have an environment where new people can create jobs and entrepreneurs can raise the financing in order to do that?

The first problem is limited, inexpensive or no access to risk capital for new company start-ups or expansions, so the idea of how do you get money from someone other than your mother and dad or mortgage your house in order to get a bank to finance you? This is what is happening in the States and it's luring many companies away from Ontario in order to get low-cost IPO financing for their companies. Adopting the SCOR program—that's the small corporate offering registration—means less stringent filing requirements, seriously reducing costs of completing an IPO and instituting a uniform

offering prospectus that would standardize access to capital in Canada. It would also be in full support of the NAFTA, as 46 of the American states right now are using SCOR programs, each implementing the above criteria for their own programs, state by state, and in conjunction with the federal government/SEC.

Briefly, what that says is there is a system in the States right now that will allow a company to put down \$10; they can take a 50-page registration form, fill it out and, if approved by the adjudicator, can then go public and raise funds from the public. They can also take a course—I think it's a three-day course—and sell from the treasury their shares to the public, all legal today. Because of the NAFTA agreement, I believe it's also, by inference, legal in Canada.

In order to encourage this, and since none of the provinces have picked this up yet, I think if Ontario is first in making this happen from the point of view of making sure that the agreements are transferable from the US to Canada due to NAFTA agreements, we can generate a whole bunch of opportunities for small, low-cost IPAs, to be controlled by the registrar and compete in the small business start-up funds. We can answer questions on that in a moment, I guess, if there are any special details.

The second problem we've suggested here is that right now the unlimited personal liability provisions for directors of corporations is hindering financial and management talent from joining boards and helping to create new jobs. There have been changes over the years to how a person can join. Whether it be in the non-profit, any corporation, there is a liability extended to that, so a lot of people are turning down work on boards. They have to put all their assets in their spouse's name or are lured away at trying to move assets offshore in order to protect themselves in case there is some type of a bad occurrence in the company.

What I've proposed for a solution here is to limit the personal liability of directors of corporations due to business losses, to specify and limit personal damage limits and direct conditions where general insurance policies can be competitively quoted to companies. The idea here is, let's have a situation where I, owning eight companies and having a health care company and not wanting to go broke, am wondering how I get liability insurance on all these different concerns where I'm creating jobs. How can I have an insurance policy? How can I limit my liabilities without having to go to Switzerland and live there for six months plus a day in order to protect what's going on here? I think this is a major issue that can be addressed with legislation and with no money being spent other than setting up conditions where people can do their thing.

The third problem that I think could create a whole bunch of jobs without any additional expenditures by the provincial government is that our research and development tax credit and rebates are only aiding a few large corporations and are creating very few net high-tech jobs in small businesses. We can debate this probably for a couple of days, but I, as a high-tech company

for 20 years and president of the high-tech association for nine, have seen what's been happening with the rebates. Basically Ontario, I think, is twinning with the federal system and there's a whole way by which monies are being allotted back. The illusion is that jobs are being created.

In my opinion what's happening—for example, in the first five years of this decade, half the money of all R&D tax credits went to Northern Telecom. It's not well known, but the large companies are getting the majority of the money. Even a lot of the federal grants are going to one company: GM Diesel. So if you take a look at what jobs are being created, certainly all the audits are coming into the small business area. For years we claimed back a whole bunch of their tax grants because of issues like, who made the circuit board and is this in fact new funding? It became basically punitive. I know about half the high-tech companies in London don't even subscribe to the R&D tax credit system today. So on that basis Ontario is subsidizing that program, and here is where I am proposing what we could do with the monies that we would otherwise be giving back in tandem with the federal government.

We would scrap the Ontario twinning rebate R&D provision with the federal government and form Ontario's new R&D job creation program, with the existing expenditures invested in the following way: we'd take a third of the money from this Ontario fund and finance scientific research at universities where the invention or the process patent is 51% owned by the public institution. That would be controversial to some extent, because a lot of the inventions right now that are paid for by the government, paid for by the university, are owned, believe it or not, by the professor. The problem is, if he doesn't choose to set up his own company or choose to give away the rights to it, this project and all the financing may not get to create a job. So on this basis I would say that the way the money should go back is that the university should have at least 51% control of that patent and be able to spin it out and create some jobs.

Second, one third of the Ontario fund could finance a central technology transfer and commercialization group working with the universities to commercialize their research and inventions. This is a central group that would have marketing people and finance people connected and would be pulling out all the available projects coming out of the university environment, as well as inventing through the university. It would be a better way, I think, to coordinate and have hits and in fact create jobs based on that type of dialogue. So that's the second idea for the expenditure of that money.

The third thing is that one third of the fund would finance expenditures in advanced technology, seed funding to create and fully fund strategic cluster skills and products. This process will create jobs quickly and create a royalty stream to financially sustain and grow this activity. That fund is a little bit unique but yet I think is very strategic in this fast-moving business that we're in where every two years your computer is obsolete. We

have to move very quickly. In this case, we could have a pool of money where a technology-connected board could make decisions on how this money would be spent. It wouldn't be matching funds, it wouldn't be 50-cent-dollar funds; it would be fully financed.

For example, eight years ago Canada had the lead on cellular technology. They were making cellular phones, they were top in the world. If they had at that point decided that they wanted to let out, let's say, three \$1-million contracts to design a small, hand-held cellular phone, have it designed by the three companies that were awarded the contracts, then in turn license it back into industry so they could manufacture, you would have a tremendous amount of manufacturing here in Canada. You'd have a whole pool of talent with cluster skills knowing all about what happens in cellular technology and in fact allow it to spin off for the biggest bang for the buck.

A thought here is also that if there is a royalty stream, that would self-sustain that fund and you don't have to have more and more tax dollars; it would in fact sustain itself because it has opportunities in a growing business.

Those are several things I would propose that you could consider in your finance committee and what the directors and the government could do. Again, we're not asking for money. We're just asking for legislation to in one case tandemly approve what is going on in NAFTA, and the others, adopt an environment where we as entrepreneurs want to work in Canada, want to stay in Canada and want to make money and keep it in Canada. This provision I think would be tremendously advantageous to growing jobs in Canada.

We're open for questions.

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**The Chair:** Thank you. We have four minutes per caucus. I'll start with the official opposition.

**Mr Kwinter:** Thank you very much for your presentation. I have a couple of questions. The small corp offering registration: the concern I have is that you say it means less stringent filing requirements. The filing requirements are a consumer protection device. One of the big problems we have is that even with those filing requirements we have problems. We have problems with companies like Bre-X and others where suddenly the consumer, in this case the purchaser of their stocks, winds up with nothing. My only concern, and maybe you could tell me, is how these SCOR programs in the United States work to protect the small investor, who needs the most protection.

**Mr Henderson:** My understanding, and Jeff can answer after I answer what I know about it, is that there is no lowering of standards for doing the corporation IPO. You still have to have the high standards in there. The difference is, you're not paying \$250,000, or whatever it is, to fund a company to back or to sell these shares. You're responsible for doing your own deals as far as selling them to the market.

The legal issues, as far as the corporation officers, if there is anything done that is untoward, they go to jail.



There are serious criminal actions taken upon the directors. They do not allow any scams to happen. It's the same qualifications as a senior IPO but it's just a low cost. You can register at hundreds of dollars as opposed to hundreds of thousands of dollars.

Jeff, do you want to mention—

**Mr. Jeff Shervington:** Yes. One of the inhibitors, if you will, so you don't get suffering too many Bre-Xes out there, is that there are four levels of funding through the SCOR program currently. In any 12 months these three programs apply. There is a state or a federal program which limits to \$1 million. The regulation A is \$5 million. You've got your SB, small business, level one offering which is under \$10 million, and your small business level two which over \$10 million. Generally, your large institutional investors do not participate in a SCOR program because they cannot substantially buy a chunk large enough for their interests. So it is the small investor, but there is not that potential for it to snowball into a major catastrophe that will affect the markets.

There is that element, but it is still a fill-in-the-blank question. It's a uniform offering prospectus. As Dale had mentioned, the first \$250,000—I've got friends on Bay Street who say, "Pay me \$250,000; I can take you public." That doesn't accomplish anything for the company. That covers for the accountants, the lawyers and the printers to get you to that point. This is a self-serving mechanism and a vehicle whereby it's driven by the issuer to advance the goals of the issuer without worrying, "Do I have \$250,000 to pass go?"

**Mr. Kwinter:** I also want to address problem 2. The whole theory behind a limited liability company is that the exposure is only to what the capitalization of that company is. I don't see quite what the problem is with members joining the board, other than that there is no question that if you're a member of a board of a public company and there are some problems—we have a situation right now where the former Premier of Ontario is being charged by the securities commission and, notwithstanding that it's a limited liability company, he is still potentially liable. But there is insurance for that. There is directors' insurance for that and that's available. All the company has to do is make sure that happens. It's for the liability of the directors where the company does something that is illegal or contravenes any legislation. That is available, and I'm not quite sure what you're trying to do with your number 2 issue.

**Mr. Henderson:** For example, if you're a corporation director and if it winds down or something like that—if people aren't paid, if payroll wasn't paid—that's a personal liability of a director. So anyone joining a large company, whether it be a non-profit group and they happen to go broke, the directors are on the tab for any payroll deduction or taxes owing. It's part of the requirements of the director, which is something to worry about, something to have insurance for, if in fact you can get insurance for that.

The issue has to do with limits. For example, if I have a health care company and someone is being treated for

cancer and whatever happens—the person doesn't live or whatever happens there—I'm saying there has to be a limit to which one can take insurance, whether we say it's \$10 million or \$100 million, whatever the number would be such that you can take insurance for that so it doesn't go to a billion dollars or the director doesn't get completely wiped out. If he's acting untoward or if there's any kind of culpable or criminal activity, that's a different story. But if a person is just acting in due diligence as a director of a corporation, then I'm saying put a limit on the liability. Set up the conditions by which this is the general government's rules on liability so that other insurance companies can all bid for the same thing. You get a competitive environment, so we're not going out and saying, "What would you like?" or "This is a special case for what you want," and then you're paying hundreds of thousands of dollars in some cases, which would be punitive enough for anyone wanting to be on the board.

**The Chair:** Mr. Christopherson.

**Mr. Christopherson:** Thank you for your presentation. I had questions around the same issue, around the limiting, so I won't go back over that ground. I really have just one comment and a very brief question.

My comment is, I think it's an excellent approach to offer up at least one segment of recommendations that don't entail new spending but that will help advance a local economy here in London. I appreciate your efforts.

I just thought of another question too. Are there similar organizations in other communities that you're aware of?

**Mr. Henderson:** This is a volunteer group. There are other groups, mainly in the States, I think, getting together to try to make things happen, a little different from the chamber of commerce.

**Mr. Christopherson:** I was going to ask. Yes.

**Mr. Henderson:** We've been working with the chamber of commerce and with the University of Western Ontario in order to encourage the private-public partnership which ended up to be the London Economic Development Corp. spun off a year and a half or two years ago now. It's been a volunteer group. It's just, in my vision, people going and doing it, opposed to having a committee to decide on what somebody else is going to do. So that was the thrust.

**Mr. Christopherson:** Is that how you differentiate your purpose from the chamber's?

**Mr. Henderson:** It's also—I guess that would be the best way—more trying to set up an environment by which people can do their thing. For example, we decided that London was a good spot to make movies. The powers that be and the other groups were saying, "We're not too interested in the movie industry," although we could detect that there was an interest group on London, and now the biggest industry in Toronto is movie-making and it's only two hours away. So we formed a group called our "manufacturing entertainment committee" and they started to have meetings. We had close to 30 people at different monthly meetings for that.

They ended up helping to set up a list of who's available in town, get people to know each other, a networking group, and one group has now spun off and is doing a show on Global, as a matter of fact.

It's that type of growth thing as opposed to saying, "Well, we've done this in the past, we've had this committee in the past and what can we do in the future?"

**Mr Christopherson:** You take a real risk calling it the "manufacturing entertainment committee," I have to tell you.

I have one very brief question, and it's simply because I don't know the answer. You mentioned in 3(c), the last sentence, "This process will create jobs quickly and create a royalty stream to financially sustain and grow this activity." Where would that royalty stream have gone or where does it go now, as opposed to this?

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**Mr Henderson:** First of all, it's twinning up whatever the federal government is doing, so it shows up in their books. You may have a tax benefit for a company if you buy in, or Northern Telecom would have the money in creating jobs, you know, somewhere else in the world. But this is new product, so you attach it to an invention at a university, for example—no, in this case, I'm suggesting they would go out and do something and fully fund it.

So let's say they got wind that there was a new technology for separating gold from soil, and they said, "Oh, gee, for \$500,000 this could now become a project that could create a whole bunch of jobs and have a strategic benefit to Canada." Then they would fully fund that project, could even have a tender on it, and whatever process or whatever product was developed from that, they then relicense it out to the industry. There would be a royalty tab to that and that would be self-funding for this whole development.

**Mr Christopherson:** Right, thanks very much.

**Mr Galt:** Thank you for a super presentation. If it isn't the best, it's one of the best, from my vantage point, and congratulations on getting it all on one sheet of paper. It sort of meets my objective: if you can't put it on one sheet of paper to explain, then you don't understand the problem. You've certainly met that objective.

**Mr Henderson:** That's the problem with being an engineer. I try to assimilate it so small that people don't understand it.

**Mr Galt:** It's just marvellous. Problem 3, I think, is self-explanatory. I wanted to make a comment on problem 2 and then I want a query on problem 1.

It's interesting that you point out this personal liability with boards of directors. Certainly volunteers are very concerned about this. I did take a resolution to the Legislature, having concern about that. It's very difficult to put it into legislation and not have perpetrators taking advantage of the situation. It's one that I believe does need to be addressed. I was thinking of it more from the volunteer boards, but you bring forward an interesting point.

I chair the Premier's Task Force on Rural Economic Renewal and one of the three major barriers to job

creation and development in rural Ontario, small-town Ontario, has to do with creating capital. This is kind of interesting and Mr Kwinter explored the risk, which I was concerned with.

One of the things we're hearing, particularly in northern Ontario, is about all the dollars that flow out. Probably you could say that about most of rural Ontario. Is there any way with this approach that dollars raised in the Fort Frances area would be invested in the Fort Frances area, to use that as an example?

**Mr Henderson:** Yes. I believe that the next wave of development that we can attach ourselves to in Canada is a wave of self-sufficiency. Yes, NAFTA and world trade and what have you—we could, you know, do all the beer in the world in one place but yet we want variety and we like to have the little ma-and-pa operations doing it. So I think if we had some type of fund that would have self-sufficiency—if you drew a circle around one of the northern towns and said, "OK, where is the cheese made that would be used by this town?" and you point to who makes cheese or who makes the secondary products—whether it be cheese, the butcher, it could be growing any foodstuffs, it could be entertainment issues. You try to identify that and then try to support that type of self-sufficiency, for two reasons. One is, you have a certain amount of skill set learning that would happen, plus you'd put people to work immediately.

**Mr Galt:** Could this solution to problem 1 work in what you're describing?

**Mr Henderson:** Yes. If someone wanted to, let's say, start a cheese-making entity up north, whatever, they would then fill out their \$10 application form and they would list that through whatever listing mechanism was set up to do that. There are two issues that could happen here. I, as an investor, then can invest in that company, through the Internet, through the stock market, whatever, and I want to put \$100 into his company. The question is, would I want to and what's the advantage?

But here is one of the keys to this, which I think could be unique. Let's say that company said, "I'm going to guarantee you a dividend every year. As a small company, I'm going to give you 5% of my sales, which will be part of the dividend I'll guarantee you every year." Now, who's not interested? A lot of companies now are just running around on speculation and/or they're hoping for the equity. But if you said that part of the uniqueness of this company would be a guaranteed dividend, 5% of the sales, then I'd put 100 bucks into your cheese-making company and I'm going to get maybe \$2 or something every year based on the revenues generated by that company. Now you've got a play. You've got an equity play, a dividend play and also a speculative play, which a lot of people seem to want, which could generate a whole bunch of capital. I think the wealth-creation portion of it would be—150,000 jobs is nothing; you'd have such a demand.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.



### THAMES VALLEY CHILDREN'S CENTRE

**The Chair:** The next presentation is from the Thames Valley Children's Centre. Could I ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome.

**Dr John LaPorta:** Thank you for this opportunity to address you. I am John LaPorta. I'm the chief executive officer of the Thames Valley Children's Centre. The centre is located in London, and in fact has been in existence for 50 years. We are part of an association of treatment centres; there are 19 of us across the province. We serve children with physical disabilities, speech and language disorders, developmental disabilities and a whole range of what we call multiple disabilities.

Mr Galt, I failed you criterion of getting everything down on one page, but I could actually summarize what I'm here to talk about in almost one sentence. It's simply this: if we invest a bit more in our children with multiple disabilities today, it will pay off for all of us much more down the road. We'll have many more individuals who are not on financial assistance, who are not receiving ODSP and unable to get off it, who will not be a drain on our social services system, but it means we have to invest in that today.

These 19 treatment centres basically serve somewhere in the neighbourhood of 20,000 to 25,000 children annually. Our centre here in London, which is a regional centre, serves 5,000 children across southwestern Ontario.

The issue for us is that for approximately six years—and we are predominantly funded by the Ministry of Health, although we also receive funding from the Ministry of Community and Social Services, and some of our centres have special schools so they receive Ministry of Education funding. For a long time, the entire system didn't know what to do with us, so what happened was that we languished in a situation where our budgets were frozen after the cutbacks through the social contract period while everyone was trying to figure out what to do with us. In essence, we didn't wait for the ministries and government to try to figure out what to do with us.

We went to our own clients and asked them, and we talked among ourselves. A year ago, a review was done by the ministry through the office of integrated services for children. What came out of that review was that essentially this system, which is actually unique in the world—we have a system of children's rehabilitation centres that is nowhere near in existence not just in Canada but throughout North America and the rest of the world. What we found and what that review found is that this system has been found by the clients—by these families and their children—to be a naturally occurring system that meets a lot of their rehabilitative needs but could meet even more of their needs as well as be an integrative and coordinating force for them in the system.

We actually have a wonderful system of services in our province today, and we've had some new initiatives, such as the preschool speech and language initiative and

the initiative for children with pervasive developmental disorder. I don't know if any of you have a special-needs child, but if you were to try to navigate that system on your own, you would be lost. What these families also need, in addition to a broad range of rehabilitation services, is help in coordinating that system. They themselves identified to an objective review team that our centres provide that kind of natural hub, an integrating and coordinating centre for them.

Basically, as you'll see in the report that's outlined in front of you, we've done an assessment of what it would take to ensure that children throughout the province have equitable access to an effective range of core services. Our estimate is that it would take approximately another \$20 million to \$25 million of investment in this system to provide a system that would in effect provide the kind of applied skill development that would assist these children in participating in all walks of life.

I'll stop there—because this is just a quick summary of the four pages you have ahead of me—and answer any questions you have.

**The Chair:** Thank you very much. I'll start with Mr Christopherson. We have approximately eight minutes per caucus.

**Mr Christopherson:** I was just looking at the last page as you were talking. What would be the first steps that you would take?

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**Dr LaPorta:** It would be a collaborative step. The creation of the office of integrated services for children, or now the integrated services for children division, was a significant step in government to try to pull together a number of facets in terms of legislation, policy and practice that in some ways conflict. To work with that division, with the parents of these children—and in my 30 years in children's services, I have never seen such a coordinated group of parents before—with the centres, to really look at what needs to be in place both in terms of legislative changes, policy, as well as some of the funding elements, that would be the first step.

**Mr Christopherson:** When you say "some of the funding elements," are you looking at new funding or are you looking at perhaps redirecting existing as a result of the new initiatives and new legislation that would be generated?

**Dr LaPorta:** It would probably be a combination, to be quite honest. I have to admit, I don't know all the elements around the existing pots of money. I think there are some initiatives that are already in existence where some of the monies could be diverted toward this end and still not affect the initiatives and the benefit they bring. Where there's a shifting of funding within, say, the Ministry of Health envelope, that's probably where the majority of the funds would come through.

**Mr Christopherson:** Do you already have a core of people from across the province who can lend support to this, so it has voice from different aspects of the services as well as geography?

**Dr LaPorta:** Yes. The board of our association, the Ontario Association of Children's Rehabilitation Ser-

vices, is primarily volunteers—families and community members. As a system, we probably have a very wide, expansive support for this throughout all of Ontario. In fact, there are three areas, one of which is the Premier's, that would like to have their own children's treatment centres, and we have an alternative to that. We think, through outreach and satellite systems, we can actually cover all of the needs throughout the province, especially in those areas that presently aren't getting it to the extent they wish they could.

**Mr Christopherson:** You provide some very stimulating ideas, and hopefully someone, somewhere where they can make a difference, will take a look at this and give it a nudge to the first step, because I think it definitely would be worth looking at. I appreciate your coming today.

**Mr O'Toole:** Thank you very much, Dr LaPorta, for your presentation. Just to recognize the children's treatment centres, we have one in Durham, Grandview, which I'm sure you're very familiar with. I'm quite familiar with the dilemma you're in. Because of its innovative nature, you were not administered by a single ministry, which made it a difficult, from-the-top-down delivery model. But I do agree with this one window.

I recognize you're funded by three ministries, and arguably a lot of community support, volunteers and others who form your boards etc. I fully agree with investing early and supporting the problem, both for the individual and family, but the integrated children's treatment centre approach and that study that was done were long overdue. It was promised for quite a while, as you know. But I saw some anomalies and some red tape issues, as a layperson. I'm not an expert; you're an expert. They had the speech-and-language money, the delivery model, and then we had the CCACs, community care access centres. Who delivered what where became the problem. You know that.

**Dr LaPorta:** Yes.

**Mr O'Toole:** The whole issue of "If you don't have your bachelor of ed, you can't do anything in the school," we have to fix that problem, because there are well-trained people, physio and other people, who should be in our schools actually delivering, instead of the family having to deliver the child to the centre. Do you know what I mean? That is a barrier. If we can help, we need your confidence that we have the courage to change what I call silo-thinking barriers.

But I also see it coming on with the learning opportunities grant. It's the same thing. It's the same client group you're dealing with, that learning opportunities money that goes to the school. We were told yesterday in Ottawa by one of the groups that the money is actually going to subsidize teachers' salaries; it's not getting into program delivery.

I want to respect Tina Molinari, who works in the Ministry of Education in the PA role. I just couldn't resist, seeing the barriers I see in my community. On the other side, I support Grandview; so does Jim Flaherty, the Minister of Finance, by the way—big supporter.

**The Chair:** Any comments, Dr LaPorta?

**Dr LaPorta:** I think one of the issues Mr O'Toole is raising is something that our system of centres has made a lot of movement toward. I'll just use our own centre as an example. Today, approximately 60% of our work is done outside our centre proper. We're in daycares, we're in schools, we're in homes, and that's where you need to bring the work to. We're not talking about what I'll call an institutionalized system, where clients come to a physical facility. We have to get our therapists out where clients are. Working with others, school teachers, daycare providers, parents, there's real value in that.

**The Chair:** Ms Molinari.

**Mrs Molinari:** Thank you very much for your presentation. You talked in your opening comment about the importance of investing in children, and that's very important. Certainly as a government we're committed to investment in children. We're also committed to improving services for children and families caring for those with multiple disabilities.

Just to put on the record some of the things we have done in initiatives we've taken, there is the investment of \$35 million in more community living supports for individuals with disabilities, including children with disabilities and their families. There is an organization in Thornhill, the riding I represent, the Reena Foundation, which does a lot of wonderful work for developmentally challenged adults. There is the commitment of over \$20 million annually to create and expand speech-and-language services for pre-school children across the province, and \$7 million for respite enhancement funding for medically fragile and technologically challenged dependent children living at home. In the spring 1999 budget, the government also announced \$10 million annually, this year growing to \$20 million, to enhance children's mental health services to enable innovation and better access. There are a number.

You asked how many of us—I have a special-needs child, although being almost 25 years old is not really a child but an adult. So, certainly I recognize some of the challenges that are experienced by families, having experienced them myself.

The work you do in your organization is admirable. It's one of those jobs that really tears at your heart, being unable to do all of the things you want to do, and there never seems to be enough, you always feel you could do more. Our government is committed to assisting in whatever way we can so that you can do your job and do it well to serve the most vulnerable that we have. So, thank you very much for the work you do.

**Dr LaPorta:** You're welcome.

**Mr Hoy:** Thank you for your presentation. I found it enlightening that over 50% of the children served by CTCs have three or more serious health problems. I've met with special-needs parents, as I'm sure many of us have, and the more serious ones with multiple challenges present unique problems and the parents find themselves lost, even at times when they are receiving some help. When they receive very little or not enough adequate



help, it is quite difficult on the family, the extended family beyond that household even.

You mention that children and families are "waiting longer for less service" in part of your brief that you didn't mention in your oral presentation. Has that been alleviated, or is it increasingly so that people are waiting longer for less service?

**Dr LaPorta:** That is the reality. While there have been some recent funding increases that came from the ministry for all of our centres, it's a combination of realities. First of all, contrary to a myth in our society today, the numbers of these children are actually increasing. Some of that is because of some of the new initiatives in earlier identifications. Some of it's due to new technology. We have children surviving today who didn't survive 10 years ago. As well as those things happening, what has happened is that, as a result of inflation and being locked into frozen budgets, basically we're operating with less money today for services than we had even six years ago. So what has happened is we have more demand for our services; we actually in some respects have less service available, so we have more individuals waiting for longer periods of time.

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What many of our organizations have done is we've actually cut back the level of service to clients. I'll use our centre as an example. We average about 25 hours per child per year. Five, six years ago we were probably upwards in the neighbourhood of 40 hours per child per year. And 25 we feel is just at the standard line. Anything below that and we're probably slipping below. That's our situation today.

**Mr Hoy:** Later in your written presentation, you mention that a total investment of up to \$22 million is needed to stabilize service loads for core services at a minimum standard. Is that \$22 million an annual figure?

**Dr LaPorta:** Yes, it is.

**Mr Hoy:** What were you receiving in 1999?

**Dr LaPorta:** As an entire system, which includes 19 centres, it's approximately \$63 million.

**Mr Hoy:** Thank you.

**The Chair:** I guess that completes the questioning. On behalf of the committee, thank you very much for your presentation this afternoon.

**Dr LaPorta:** Thank you very much for your time.

**The Chair:** We'll take about a five- or 10-minute recess until the next presenter comes in.

*The committee recessed from 1341 to 1349.*

#### ALLIANCE OF CANADIAN SECOND STAGE HOUSING PROGRAMS (ONTARIO CAUCUS)

**The Chair:** If I can get your attention please, we have the next presenters, from the Alliance of Canadian Second Stage Housing Programs. On behalf of the committee, welcome. If you could state your names for the record.

**Ms Ruth Hyatt:** Thank you very much. To my left is Donna Hansen. She's our program coordinator with the Alliance of Canadian Second Stage Housing Programs. To my right is Wendy Makey. She's our vice-president. I'm Ruth Hyatt. I'm the president of the Alliance of Canadian Second Stage Housing Programs (Ontario Caucus). Thank you for inviting us here today.

We come before this committee today on behalf of the membership of the Alliance of Canadian Second Stage Housing Programs to implore this committee to commit to making adequate funding of second-stage housing programs in Ontario a priority in the upcoming budget.

We understand that the provincial government has every intention of making it safer for women to live in this province. The events of this past summer that led to the deaths of five women and four children underscore the need for safe and supportive housing programs in this province. Studies have shown that women are most at risk when they are leaving the abuser. Second-stage housing provides that additional safety and support for women who are leaving these abusive relationships.

In 1995 second-stage housing lost all funding from the province to support counselling programs. As a result, second-stages across the province have been devastated. There has been a significant loss of programs, staff and ultimately safety and support for the women and children accessing the programs. Boards of directors and staff in these organizations have had to shift their focus toward fundraising to survive. Second-stage housing programs in this province need your immediate attention. Please listen carefully to our concerns.

I'll tell you a bit about second-stage housing. It was developed in response to an identified need for longer-term safety and support for women and children leaving abusive relationships. Emergency shelter workers witnessed women returning to abusive partners after leaving shelter because of a serious lack of safe, affordable and supportive housing alternatives in the community.

Approximately 40 women are murdered by their estranged partners each year in Ontario, according to a 1994 study of intimate femicide. The study also shows that women are most at risk and often killed after leaving the relationship.

The first second-stage housing program in Canada was built in 1979. Between 1985 and 1995, the number of second-stage housing programs in Ontario had grown to 28. A 1996 survey by the Canada Mortgage and Housing Corp shows that safety is the number one reason that women, with or without children, seek housing at second-stage facilities.

Today, there are 26 second-stage housing programs operating in the province of Ontario. The facilities range from three units to 40 units, with a total of 366 units. They are typically self-contained apartment, townhouse or single-family dwellings where women can live independently with their children for approximately one year. The length of stay depends on the needs of the woman and the program guidelines.

Women often access second-stage housing after leaving first-stage shelters. Living in second-stage provides women the opportunity to rebuild their lives and the lives of their children in a safe, affordable and supportive environment.

Second-stage housing provides a unique service to women and their children. Women living at second stage are usually on a low, fixed income. During their tenancy, women are able to set goals and objectives, connect with appropriate community resources and are provided the opportunity to build on new skills as they move on to economic independence. We like to think of second-stage as a proactive form of program.

Now I'll hand it over to Donna for the internal report.

**Ms Donna Hansen:** Marie McKeary, a research consultant, prepared on our behalf an internal report based on returns of questionnaires that she sent out to second-stage housing programs in Ontario. The summary said that she found the Alliance of Canadian Second Stage Housing Programs (Ontario Caucus), to be a collective body composed of 23 of the 26 second-stage housing organizations which exist in Ontario. The report was the second step in a process to standardize protocols of second-stage housing programs, to develop strategies for the alliance to improve its effectiveness and to raise the visibility of second-stage housing issues. The first step in achieving these objectives was for the alliance to host a conference in September 1999 in Stratford, Ontario.

The goal of the report was to poll members of the alliance and determine areas where policies needed to be developed. The following is a summary of the findings. She received a high response rate of 52% of the questionnaires completed and returned to her.

The earliest organization was founded in 1986. New programs have come on board as late as 1998. This was prepared in October 2000. Since then one other has come on stream, and one in Ontario has changed its mandate from being a hostel to second-stage housing, then we learned of the YWCA running one in Sudbury, so we are now up to 26.

The average age of all programs reporting was nine years and a majority of those programs serve urban areas. A majority of the programs have either a strategic plan or a business plan in place. Of the members reporting, 73% were forced to implement major structural and policy changes within their organizations as a direct result of the 1994 government cuts to funding. Impacts included a loss of all counselling programs or a loss of some of the counselling programs, significant staff cuts, and the remaining staff had to multi-task.

There was a constant relocation of some second-stage housing programs to find affordable space. The organizations had to be restructured. There was a major shift in focus to fundraising to support counselling programs. Some level of security features is offered by 92% of the programs, including controlled entry, a fenced-in yard, extra lighting, video cameras etc.

Access to clerical support was reported by 58% of the members. Twelve members were forced to refuse shelter

to 837 women and children in 1999. The main reason given for the refusal was a lack of resources, including physical, financial and human resources.

Support in most programs is offered through individual and group counseling in order to assist women and children to develop coping strategies, build social networks, enhance self-esteem, understand the impact of violence on their lives and develop realistic plans for their futures.

Many of the children and youth at second-stage housing have been the targets of physical and sexual violence and most have been witnesses to woman abuse. According to *Children Exposed to Woman Abuse*, a recent handbook that was compiled by the London Family Court Clinic, "Children who witness woman abuse frequently experience post-traumatic stress disorder. The symptoms of post-traumatic stress disorder include extreme anxiety, fear, irritability, intrusive thoughts and flashbacks about the violence, unpredictable anger outbursts and avoidance of situations which remind the child of the abuse witnessed."

These children have a number of needs in common. They need to be able to break the silence of abuse. They need to learn about safety planning in case the abuse recurs. They need to learn they were never at fault. They need to process the traumatic memories in a safe and nurturing environment and they need assistance with coping strategies around trauma symptoms such as irritability, avoidance of situations which remind them of the abuser, anger outbursts, withdrawal, fearfulness, tension and intrusive memories. They need to learn that there are alternatives to violence in relationships and that violence is not acceptable. They need to learn about equality in relationships and have the myth about woman abuse dispelled.

Individual and group programs strive to increase children's and youth's knowledge and awareness of these issues, develop coping skills and support them in making healthy choices in their lives.

You can see from the graph on the next page that 12 of the 23 programs at the time reported. Of those 12 programs, there were 196 units that sheltered 333 women. However, nine programs reported that they provided services that did not include housing to 748 women. Children serviced and/or sheltered by these 12 programs that reported were 523. The maximum length of stay allowable ranged from two years to eight months. However, the average length of stay for all programs reporting was 12.5 months. The 1998 statistics indicated an average stay of 8 months.

#### 1400

Programs vary from organization to organization: 82% offer cultural interpreting; 64% offer services for deaf and hard-of-hearing clients; 83% offer an advocacy program; 83% offer counselling programs, however only 40% of those reporting were able to offer programs on-site, a direct result of the cuts in 1995; 67% offer education and/or public awareness on a limited basis; 75% offer programming geared specifically for children, but



most often this is limited, and often only offered through volunteers or students.

One hundred per cent of those responding had some form of evaluation, including staff, client-programming, board and community input. Ms McKeary found regarding funding that common sources of funding include federal, provincial—which is only housing dollars—regional, rents, fundraising, foundations and grants. Ninety-two per cent report a major focus on creating sustainability by organizing and hosting events and activities that include but are certainly not limited to dinners, flower sales, garage sales, golf tournaments, concerts, fashion shows, aerobathons, yard sales, T-shirt sales, and I'm sure the list can go on and on.

Regarding policies, Ms McKeary found that the top five areas of policy development identified as priorities were safety and security, funding, programming, occupancy, and human resources and personnel.

In her conclusion, she writes:

"In conclusion, I believe the Alliance and its individual members have begun a crucial, complex and ongoing journey to strengthen the organization, improve service delivery and ultimately bring about positive social change on behalf of their clientele.

"Although completed over a brief time, this report offers a rich and multi-faceted depth of information. Its strength is a reflection and testament not only to the time individuals donated to the project but to the commitment of time and energy expended every day to empower women and children caught in the web of violence."

**The Chair:** That completes your presentation?

**Ms Hansen:** No. I'm sorry.

**The Chair:** OK, go ahead.

**Ms Wendy Makey:** The final piece we'd like to speak on today is the financial status of second stage housing programs across Ontario. The biggest struggle facing all second stage housing programs today is the serious lack of funding to support programs. However, the impact goes beyond the cuts to staff and to services. The number one reason that women enter second stage housing is for safety. In many programs, safety and security have been compromised for two reasons: (1) there are insufficient funds to repair, maintain and upgrade security systems and (2) there is insufficient staff to ensure safety policies and procedures are followed. At times, staff and volunteers are at risk from abusive partners determined to have access to the women. Every effort must be made to ensure the safety of everyone connected to the programs.

In Dryden, because of the cuts to funding, the second-stage housing program is now under the administration of the local housing authority, addressing only priority status issues. There is no staff on-site to provide any level of counselling or support.

Partnerships between violence against women agencies and community groups are used to develop prevention initiatives and public education events and to coordinate the services provided to victims of violence. Most staff in second stage housing programs report that it is difficult, if not impossible, for them to attend violence

against women services community coordinating committee meetings, children's services coordinating committee meetings and domestic assault review team committee meetings because of a serious lack of time, money and staff.

Credibility has become an issue for second stage housing programs throughout the province. Systems were in place when programs were funded to ensure that programs were supportive, responsive, and accountable to the women and children using the programs. The complete withdrawal of funding to support the counselling services disconnected the programs from the government body that gives direction to all other violence against women service providers. Therefore, we are no longer directly involved in policy development and program planning, which also means that the women and children using our services have been taken out of the decision-making process.

Many program directors found that prior to 1995, information flowed through the provincial funding body. When funding was cut, information stopped flowing. In order for service providers to maximize women's safety, it is imperative that they keep abreast of changes that occur in the system. It is most difficult for many of the programs to keep abreast of the changes. An example of information that has not reached all second stages are the changes to child welfare legislation involving reporting procedures and service delivery changes.

Though staff training is a priority for many second stage housing programs, it is impossible to allocate funding resources or staff time for training and development. Many second-stage housing boards, volunteers and staff have also needed to change their focus to that of fundraising for survival of the agency. Day to day issues and actual work with the women and children must be attended to around fundraising schedules.

Though second-stage housing programs may vary in size, configuration and management style, the mandate of all programs is to deliver services which contribute to keeping women and their children safe. We need the help of the provincial government in order to continue to provide these efficient and cost-effective programs. Many second-stage housing programs in the province of Ontario have experienced significant losses of staff. Many have left exhausted and burnt out.

In the five years since 1995, all programs have changed. Counselling programs have been carved to the bone. Many second-stages are in crisis survival mode. Today, on behalf of the Alliance of Canadian Second Stage Housing Programs (Ontario Caucus) we are asking the provincial government in Ontario to support the continued operation of these efficient and cost-effective services for women and children who are fleeing abuse in this province. We are requesting \$120,000 in annualized funding for each second-stage housing program in the province of Ontario. This would total \$3.36 million.

We'd like to thank you for your time, and we are here to answer any of your questions.

**The Chair:** I'll start with the government side. We have approximately four minutes per caucus.

**Mrs Molinari:** Thank you very much for your presentation. Certainly, you've made some excellent comments. I would just like to state for the record what the government has invested in order to prevent violence against women and children: in 1999-2000, \$110 million was invested; \$135 million in 2000-01; and that investment will increase to about \$140 million for 2001-02. This is for programs and services that address and prevent violence against women and their children.

There are also 40 programs and initiatives involving 10 different ministries that address some of the concerns. Some of these programs are the 33 sexual assault-rape crisis centres that provide 24-hour crisis support accompaniment, and public and professional education and information and referral services. A victim's crisis assistance and referral service provides 24-hour-a-day service in which police, with the consent of the victim, request a highly trained team of volunteers to provide short-term assistance to victims and make referrals to community services for longer-term assistance. The victims' services line provides toll-free information in English and French on a number of services to victims. SupportLink, a pilot project with private sector partners, provides wireless phones pre-programmed to 911 and safety planning to victims identified as being at risk for sexual assault, domestic violence and/or stalking. The sexual assault treatment care centres are available in 28 hospitals in the province, seven of which also provide services to the victims of domestic violence. The children's aid society staff and front-line staff working with abused women are being trained to provide specialized counselling and related services in child abuse cases that involve violence against women—

**Mr Christopherson:** On a point of order, Chair: This is about the third, maybe the fourth, time now the government has deliberately used the time to dialogue and ask questions of presenters to just read verbatim correspondence into the record, using up the time, avoiding the issue. I'd ask you to direct the government caucus to at least provide—there's nothing wrong with providing some background information, but to use it as a diversionary tactic, to disallow any dialogue because you're afraid to answer the questions, is wrong and is against the spirit of what these hearings are about.

1410

**The Chair:** I can see your concern. However, as Chair of the committee, my only role is to maintain decorum. Whatever time any caucus has and how they use that time is up to them. There's really nothing I can do about that. Each caucus has four minutes on this particular matter. If that's what they want to do with their time—

**Mr Christopherson:** Perhaps just raising it will change the patterns. Thank you.

**The Chair:** Go ahead, Ms Molinari.

**Mrs Molinari:** Thank you, Mr Chair.

I will continue to clarify for the record the government initiatives that have been put forward. Building Opportunities for Women is a pilot project that links women in shelters with employment, education and literacy services to help them achieve economic independence. The

cultural interpreters are available from 10 sites across the province for abused women who speak languages other than English and French and are in need of support services.

There are a number of others. Counselling is provided through the victims of violence program to female offenders who have been physically and/or sexually abused at some point in time in their lives. There are several others that I could put on the record. There's French-language services that are available in several places across the province. There are a number of initiatives, as I've stated, that the government has taken to address some of the concerns.

The concern you have is also a concern of ours. It's different ways that various governments and various parties have of addressing the issues. The second-stage housing that you're referring to is one way.

I would like to ask if you know of any other province in Canada, just to have some comparisons of what other provinces are doing to address some of the concerns that you've raised here and how we as Ontario compare to other parts of the country.

**Ms Hyatt:** I'll respond to that, if I can. In 1995 we had been very active in communicating with second-stages across the entire nation. But with the cuts in 1995, we actually lost contact for a year and half to two years with even the provincial second-stages. We were almost cut afloat, so to speak. We were barely in connection with second-stages in Ontario, let alone those across Canada. We have regrouped as an alliance and have pulled our forces back together so that we can start providing support to other second-stages in the province. But we have not had the time or the resources or the finances to reach out and connect with other provinces. We've lost that connection.

**The Chair:** We've run out of time.

**Mr Hoy:** Thank you very much for being here today. Would it be fair to say that if not you individually, your staff and other volunteers would know of those other avenues that the government just read a few minutes ago that are available to the public, and women and children in particular? You would have known that, I assume; if not individually, your staff would?

**Ms Hyatt:** Yes.

**Mr Hoy:** Even with that, you obviously believe that second-stage housing is important to women and children and the communities of Ontario.

**Ms Hyatt:** We do know that there are waiting lists for probably every program. We haven't polled everyone recently, but at this point we have a lot of second-stages with waiting lists across the province. On average, I believe we have a 92% occupancy rate, which is very high when you consider we have a changeover time as well in the programs to allow new residents to move in. So I think the need for the program has definitely been established over time. The effectiveness as well has been established.

**Mr Hoy:** Thank you. You mention in your brief that women living at second-stage housing units are usually on a low or fixed income. Would it be possible that in the



beginning, when they first come to visit you, they might have no income?

**Ms Hyatt:** That's possible. I'm not sure how other programs deal with that, but we do assist women in trying to access some kind of financial support.

**Mr Hoy:** But initially, that first day, they may not have any?

**Ms Hyatt:** Quite possibly, especially if they have assets that are tied up in the courts, because they can't get social assistance at that point.

**Mr Hoy:** You mention also in your brief that a majority of the programs serve urban areas. I suspect, if you had adequate funding, that there would be a need for rural areas as well. Do you have problems with that situation where people in rural areas are actually looking for a place to go that might be some distance from where they live now?

**Ms Hyatt:** Currently what we find is that to access the service, women will move from the rural areas into the city.

**Mr Hoy:** But the problem is not restricted to urban?

**Ms Hyatt:** No, definitely not. In fact, there is a large group that looks at farm women and the rural population in terms of the special needs they have.

**Mr Hoy:** In your brief you also mention that women can live independently with their children for approximately one year. Does that mean that after a year you would ask them to leave, or is that just a general statement?

**Ms Hyatt:** Depending on the woman's situation, the average length of stay may be of six to eight months. Depending on the program and the situation at hand, the woman would not be kicked out on to the street. We try to help her obtain subsidized housing within the community but, depending on the situation, we would extend her length of stay if needed.

**Mr Hoy:** Thank you very much.

**Mr Kwinter:** Could I just get a quick rundown of how this works? I understand the program and the counselling and everything else. Who provides these houses? Do you rent them? Do you own them? How does this system work?

**Ms Hyatt:** Specifically in Hamilton we have 20 units scattered throughout the community. Non-profit housing corporations have given us units. Within the community the women pay a subsidized rent dependent on their income and pay the rent to us, and we then pay the housing corporation. They're responsible for hooking up their own telephone, hydro, gas, television etc.

**The Chair:** Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. This is one of those issues which just makes no sense on any front whatsoever. The government has been taking more heat over this. Time after time, every year, whenever there's an issue that has us addressing this they always get hit with the fact that they've devastated second-stage housing, and I note now that you're down to 26. All the funding has been gone for quite some time.

You mentioned too the information flow. I was pleased that your answer to the government member was

the core, that rather than saying, "No, we don't have the information," you went on to explain, "We don't have the information because since 1995 we haven't had the money to even communicate with our own members, let alone find out what's going on across the province."

When I look at this, I have to ask myself what is driving the government on this issue. Why this one in particular? If I'm wrong I'd be pleased to hear from the government members on the record or off the record, but you have to wonder, is there a philosophical issue at play here with the government? Is it their determination that they're going to have Ontario try to reflect the fantasy-land vision of home in the 1950s as Leave it to Beaver had it, that they're going to force children and mothers and wives back into families? I don't know. If I'm wronging somebody, fine, jump in and say so, but I can't find a reason.

1420

Every organization that's involved with violence against women says that funding for second-stage housing ought to be reinstated and ought to be expanded—unanimously—and why they continue to refuse just infuriates me to no end. Women are being hurt and being sent back to situations where the children and the women are going to be abused again, and there is an obvious solution that at least helps and they won't do it. It drives us crazy, because there seems to be no rationale for it. Even if they didn't believe in it, you'd think they'd do it for political reasons. So I wonder, as I say, if it's not some sense—they've got this weird what they call "family values caucus," if you can believe it. This is the group that is sending people off to work 60 hours a week, so they're going to be away from their families even more, but they still want to be considered the only party that cares about families. I don't know whether they've got a throttle on this issue and said, "We're not going to support programs that keep families apart," and that's as far as they think about it.

I don't know whether you have any thoughts on why this is happening. It absolutely drives me crazy that this is happening because I know the kind of work that has been done in Hamilton; I've known about it for a long time. Why it's not supported is beyond me. If you've got any issues or reasons and want an opportunity to lay them on the table, let's do it now, because something is missing here. It's the element of common sense. Unfortunately, it's not just a debate. People are being hurt; innocent people are being hurt. Since everybody agrees that they should put the money back, I don't know why they won't.

**Ms Hansen:** We have no answer to that either, Mr Christopherson. We have bandied this question about, when the alliance gets together, since 1995, and we have no answer and have received no answer. It would be nice to have one. We don't know if we have upset someone or hurt someone's feelings or if we have done something the government has not approved of or what it has been. We have received no answer and, like you, would like to have one.

**Ms Hyatt:** Another thing we have wanted to do as well was to have the government come and visit our programs and talk to the women who have actually used the programs because they are the ambassadors of second stage. These are the women who find the success in our programs. Quite often they come into the program very confused, upset, not knowing which way to turn because their whole world is upside down. In the time they spend in our programs they grow, they learn, they change, they develop and they move on to economic independence. Sometimes I've watched women come in, and when they're leaving I think, "Wow, she's done her work. She has worked really hard to get to where she needs to be to make those changes."

**The Chair:** With that, we've run out of time. On behalf of the committee, thanks for your presentation this afternoon.

**Mr Galt:** On a point of order, Mr Chair: Could I ask for unanimous consent for time for Mr Christopherson to explain why his government wouldn't allow a shelter for women to be built in the county of Northumberland?

**The Chair:** I think that's out of order, Mr Galt.

**Mr Galt:** I thought he might like to do that with his—

**Mr Christopherson:** Struck a nerve, eh, Doug?

**Mr Galt:** You could explain—

*Interjections.*

**The Chair:** If that's going to continue, Mr Galt and Mr Christopherson, I'm going to have to recess the meeting, and I'm sure some people are going to be—

*Interjection.*

### LONDON MUSLIM MOSQUE

**The Chair:** Our next presentation is from the London Muslim Mosque. Could the presenters come forward, please, and state your names for the record.

*Interjection.*

**The Chair:** Mr Galt, come to order, please.

On behalf of the committee, if you can hear me, welcome.

**Mr Adeeb Hassan:** I am Adeeb Hassan, chairman of the board of directors of the London Muslim Mosque. At the projector is Dr Ashraf Eldamatty, vice-chairman of the mosque; and to my right is Mr Hassib Zabian, the treasurer of the board of the mosque.

Mr Chairman and committee members, I would like to thank you for giving us the opportunity to meet with you today to discuss issues that are important to us as a community. On behalf of the London Muslim community, I'd like to give you an insight into the development of the community and the London Islamic School, and as well present to you some of our thoughts on developing a partnership in education.

The first known Muslims arrived in Ontario in the late 1800s, coming mainly from Syria, young men who left their families and country to seek a better life here in Canada. For the next 30 years, the number of Muslims remained small. In 1939, the first Muslim family established in London when one of the pioneers returned to his homeland to marry and return to London with his bride.

The community began to grow slowly, and in 1955, on Oxford and Summit streets in London, a property was purchased and a large home on the site was renovated, thus establishing the first mosque in Ontario. In 1961, this building was destroyed by fire, and the present mosque was constructed in its place and opened in 1964.

Since then the community has thrived. Second- and third-generation Muslims living in London, along with a huge influx of immigrants beginning in the 1970s, have seen our community grow at a rate tripling its size each decade for the past three decades. With this growth came enormous responsibility and challenges for our community leaders to keep up with the religious, educational and social needs of such a flourishing community. Over the past 10 years, the London Muslim community has invested over \$3 million in purchasing property and constructing the required facilities next to the existing mosque, which consists of an elementary school and gymnasium to serve out community needs as well as to make available for our neighbours in that area of the city. In addition to this, the community has established a second Islamic centre on Pond Mills Road, just south of the 401.

In 1994, the London Islamic School was opened and dedicated to stressing Islamic values—values such as faith, truth, helping others, serving the community, respecting diversity of faith and ethnicity, discipline and good conduct. We have approximately 200 students enrolled in our school. The LIS curriculum is based on the Ontario Ministry of Education requirements for each grade level.

Last year, our grade 3 and 6 students participated in the Ontario-wide testing of reading, writing and mathematics. Our students achieved above-average scoring results, based on the provincial results. This result was extremely satisfying to us, given the fact that our school receives no funding outside our community resources.

We believe that the Ontario government's ongoing refusal to fund these charter schools is a disservice not only to the faith communities operating them but also to the taxpayers of Ontario. If we were to follow other provinces' funding levels of charter schools at a rate of 50% to 60% of public school funding, the Ontario taxpayers would save millions, if not billions, of dollars. The Islamic Schools Federation of Ontario estimates that there are approximately 80,000 Muslim students in the public system. You can do the math that if only 60% of these students were to move into a publicly funded charter school, the savings would be found not only in funding levels but also in facilities, which would be provided through our own resources. We deem that it would be a wise move for the government of Ontario to study this more closely and not to brush it aside so deftly.

You have communities that are willing to build or purchase schools, to cover 50% of the operating costs and continue to achieve the high standard of education promoted here in Ontario. Isn't it worthy of consideration and further study? The LIS school board of directors is at your disposal as a resource for further information on our



school and its operation. I'm also assured that the Islamic Schools Federation of Ontario would be willing to help in any capacity to aid your study of this important issue.

The London Islamic School is open any time for anyone interested in visiting and seeing at first hand the professional manner in which we operate. Talk to our teachers and visit with our students, and then try to explain in your heart of hearts why your government refuses to see the injustice of your policy not to fund all religious schools through some mechanism. It should not take a tribunal at the United Nations to help us to make the point of simply seeking our equal rights as citizens of Ontario, citizens with a long history as hard-working, dedicated people who love this country and this province and proudly call it home. We simply ask that your government policies indicate that you also recognize us as equal citizens; not just as taxpayers, but as mothers and fathers, sons and daughters who wish to participate and live in an Ontario that encourages unity through our diversity and promotes fairness and equality for all.

1430

**The Chair:** Thank you very much. I'll start with the official opposition. We have about seven minutes per caucus.

**Mr Kwinter:** Thank you very much for your presentation. This is an issue that I am very, very familiar with. I can tell you that in the community I represent, it's an issue that has been out there for many, many years. I totally agree with you. I have been supporting this concept for 15 years, notwithstanding that when we were in government I could not convince my government to support it. Just to be fair, the other two parties have also had the same issue and they've all refused to do it.

There are several issues. One of them is—and this has been challenged in the courts—under the British North America Act, it has really been set out that the funding was to be provided on an equal basis to both the English Protestant community and the French Catholic community, and that has carried over. Notwithstanding that several ethnic groups have challenged this in the courts, the Supreme Court has ruled that this is the case and that it cannot be changed. It's an issue.

One of the things that I have been advocating as a minimal sort of compromise, and I'm sure it's an issue in your community as well, is that not only is the Muslim community providing this facility—I haven't seen it physically, but from the slides it looks like it's an outstanding facility—and charging the students who come there to support it, but those people are still paying their public school taxes. So in effect it's a double penalty. They're not getting any funding from the government, they're paying funds into the school system that they're not using, and they're providing a comparable education, if not a superior education, because they're getting the requirements as set out by the Ministry of Education plus their particular religious training.

I have felt that as a minimum compromise there should be at least a tax credit for that amount that is being paid to the public school system because, as you

say, if those students were turned back into the public school system, there'd be a huge cost. Have you proceeded or have you put forward that argument with the government?

**Mr Hassan:** No. In the discussion I personally had with one of our members of provincial Parliament here in London, we discussed a voucher system. I read about the idea of a tax break for those who are spending on tuition in private schools or charter schools of a religious base. But our discussion has always been based on a voucher system to support the operation of the school.

**Mr Kwinter:** One of the big arguments that is put up to deter any of this from happening is that if you had a voucher system, it would in fact so fracture the public school system that it would no longer be viable, because every group would want to establish their own school. As a result, the only people who would be left in the public school system would be those who didn't have a group they could coalesce with to establish their own school. Do you have a response to that?

**Mr Hassan:** I find that hard to believe. I don't think the mass exodus would occur. I think there would be a number of people who would move over to the privately funded schools through their faith communities or whatever community it is they belong to that's operating a school. But I don't think that even in the Muslim community we would see 100% of the students in the public system move into the private school. I just don't think that would happen.

**Mr Kwinter:** I hope you understand, I'm just throwing out these questions to see if you've got any arguments.

**Mr Hassan:** Yes, and I'm giving you my—

**Mr Kwinter:** I've argued this issue for 15 years. Yes?

**Mr Ashraf Eldamatty:** If I can add something, remember that these schools are built by the communities, so the communities have a certain limit. The Muslim community in London has struggled for over the past 10 years to build the facility of \$3 million to accommodate something like 400 or 500 students. We don't expect a community to be able to build for a huge amount of students so it will take everybody from the public system. It will never happen, if you'd like to be realistic.

**Mr Hassan:** In other words, the community couldn't absorb the so-called mass exodus, if it were to happen. It wouldn't happen.

**Mr Kwinter:** What is the size of the Muslim community in London?

**Mr Hassan:** It's 30,000.

**Mr Kwinter:** Again, I don't want to make your arguments for you; I would like you to make the arguments.

**Mr Hassan:** No, you go ahead.

**Mr Kwinter:** One of the other issues, of course, is that there are many other jurisdictions in Canada that have been providing funding.

**Mr Hassan:** That's what I was going to ask you, because you mentioned about the BNA that provides for funding for Catholic and Protestant schools. How did the

other provinces get around that when this is a Canadian law, not provincial?

**Mr Kwinter:** You have to understand that law is used only if you don't want to do it. If you want to do it, you don't have to worry about it because it doesn't say, "You must not do it." What they're saying is that if a government decides not to fund it, this is the way out.

**The Chair:** Thank you very much. Mr Christopherson.

**Mr Christopherson:** I will continue the same discussion, because the parameters of the debate I think are fairly well defined and actually fairly limited. It really comes down at some point to an opinion of whether or not you believe that any fracturing of the public education system is bad and ultimately is to be seen as the slippery slope.

I have the greatest amount of respect for your religion, for your beliefs. I think they contribute enormously in a positive way to the Canadian culture, and the fact that you're able to maintain your own schools says a lot about the commitment of your members.

But I am one of those who is very concerned about starting to fracture off—notwithstanding the constitutional issue, which is one we can debate or not debate, but as Mr Kwinter says, there it is. It was part of the founding understanding that created what we now call Canada, what evolved to modern-day Canada.

Beyond that, we've taken a strong stand. Our public education system has been noted as one of our key strengths. We are known around the world as having one of the best education systems, and please don't take that as any suggestion that you're not providing the same standards. That's not the issue here at all. I have no doubt that you are, but I am merely saying that if we don't keep concentration of dollars and attention on the public school system that we have, then we're going to start to fracture it.

Is that a bad thing in and of itself? Probably not. I don't think it's evil. It's a question of which, in one's individual opinion, is better: to have a strong, united education system or to have one that's broken into various pieces? I just happen to believe that it makes such a difference for us, and I think the evidence is there, that it has served us well, that it really is the slippery slope.

Whether 100% of your community went to the Muslim school or not, and the same with the Jewish community, and you could do the same with virtually any religion—by the way, that creates a little subset of problems too: how do we ultimately define "community of interest" and how do we define "religion"? We have an interesting couple of ministers in Hamilton who get headlines in Canada from time to time, and I'm sure they'd love to start up their own school. So that becomes a subset of problems.

Again, I just emphasize that it's not a question of looking and saying this is a bad thing. It's a question of what's in the best interests of Canada, what has worked for us and what has given us the quality of life that we

have? To date, I would argue the evidence is there for us to keep a secular, public education system.

1440

**Mr Hassan:** Certainly no one wants to destroy or fragment the system that we have. Speaking for our community, we would like to offer an alternative for our community for the children to be educated to the high standard that we have in Ontario, but to be able to impart to them at this crucial stage the morals and the judgment that are required and to take away the peer pressure they have in the public school system. We have found that our children attending these schools are doing without a lot of those issues, and the parents are not dealing with a lot of those issues either. For that, we benefit as a community. We also can see, as Canadians and Ontarians, that we're not reinventing the wheel here. You can look at other provinces where this is being accomplished and you'll see that the public system has not been destroyed or even fragmented. So we're not treading on new ground by looking for Ontario to fund these schools, because it's being done quite successfully without any detriment to the public system.

**Mr Christopherson:** It remains a point of debate and ultimately one of politics. Again, the difficulty here is that this is one of those issues where there's really no membership to our cards that guide this. This is a question of not right and wrong or someone else's rights versus someone who doesn't have any rights; it's a question of what are your rights and how do they stack up against other rights, and when you can only pick one, where do you go? Sometimes compromise is a good idea; sometimes compromise is the beginning of the slippery slope.

**Mr Hassan:** But changes are sometimes a part of life. Demographics change in this country. Things are not demographically the same as they were in 1867 or even in 1967. So for our government to stick their head in the sand and say, "This is the way it has been and this is the way we think it should stay, because we're proud of our public school system," and just throw our hands up and say, "We don't really want to look at anything else"—what we're asking for as a community is just to study this, just take a good look at it and see if the fears are founded and if our claims are reasonable.

**Mr Christopherson:** Again, my sense of it is that in this case it's not one of really just refusing to look at any kind of change. I've been an active participant in advocating change most of my adult life. It's a question of not letting go of things that you're clear that work. Right now we have a secular system that doesn't favour any religion, again notwithstanding the Catholic, and we've talked about that. We have a secular system that says religion is not going to play a role in the public education system, regardless of what your religion is. It could be anyone who would come to the table today, and my comments would be the same.

It's the same worry that many of us have about public health. It was interesting that Mr Kwinter talked about people worrying that they're paying double. That's one



of the concerns that I have about further privatization in the education system, but also in the health care system: that people then begrudge paying twice. We know that the affluent tend to vote more as a percentage of the population, and suddenly religion becomes a huge issue in our education system, and right now it's not. I think so far that has served us well. If there are compelling arguments, one has to try to keep an open mind; so far I haven't seen them.

**Mr Hassan:** We don't want to make it an issue.

**Mr Christopherson:** But it is the issue, actually, isn't it?

**Mr Hassan:** We just want to be able to raise our children with our morals and our understanding. I can give you a personal anecdote. When my daughter, who is now in Western, was in grade 7, they were going to hand out condoms in her classroom. I went down and met with the principal and the health teacher, I think it was, and I asked that she be removed from the class and sent to the library for the period because we have our own moral judgment on premarital sex. I don't want the public system to impart their secular impression of premarital sex and safe sex, because safe sex is not something that we discuss. We discuss no sex before marriage; that's what we teach our children. I was told that that couldn't happen, that this course was mandated just like mathematics and science and the rest and she had to be there. I did my job as a parent. So we're not trying to push our values on anyone.

**Mr Christopherson:** No, and trust me, no one is trying to prevent your values from having their equal place in our society. It becomes a question of what we think the best structure is for Canada in terms of our education system, and I think there are still fair numbers who think, regardless of our own personal religions, that the secular approach we have, albeit not perfect, is the best one to date.

I know you're going to press me for time, Chair, but let me just say that as long as we can continue to have dialogue in this fashion, I think it serves us well. That it was Mr Kwinter who opened up the discussions—we serve the history of Canada and the tradition of democracy well when we can talk about something like this in this fashion rather than some of the other ways of settling these things that are happening in the world. I really respect your opinion and appreciate your coming in and the kind of dialogue we've had.

**Mrs Molinari:** Thank you very much for your presentation. I represent the riding of Thornhill. In Thornhill there are five Jewish day schools, one Muslim and one Montessori. In the province of Ontario my riding is probably the one that has the largest number of denominational and private schools.

I was interested listening to Monte Kwinter's comments about his support, and he and I had some discussions about this issue not too long ago. As much as the Liberal government and the NDP government have not made any steps forward in this direction, our government provided in the year 2000 \$3.4 million for health

services for students in denominational schools and \$11 million this year to provide for those services. So as a government there is recognition that there are some inequities that exist and that some of those services need to be addressed.

I meet with people in my constituency office weekly on this very topic, and having myself been a trustee for the York Catholic board and the chair of that board for four years, I know too well how difficult it is to pursue equity in funding for education and for denominational. One of the issues around pursuing funding for this is also keeping in mind that there may be some loss of autonomy, because whenever you're receiving grants and funding from a government source, there are certain parameters that you have to live within, and are those parameters things that you would want to live within. So that's a whole discussion that needs to be ensued on this topic, because the way you're funded now, you have complete autonomy over what it is that you do. Certainly that's something to keep in mind.

With the groups that I meet with in my office, we've talked about some possibilities of assisting in some of your expenses and some of the things you have to purchase. One of the things I'm working on with those in my riding is opening dialogue with the two school boards in the riding to look into the possibility of combined tendering and combined purchasing so that there are cost savings incurred by buying in bulk. Those are areas that I encourage you also to explore in doing that with the local boards in the area that you represent.

The Ontario Parents for Equality in Education Funding is an organization. I don't know if you're familiar with them. They have as their membership a number of various groups with the same issues and topics that you've raised here, and they've combined their efforts in making presentations on this very issue. They've come up with some very creative ways of assisting in some of your expenses. As I said, one of them is combined purchasing of services in textbooks, because some math books and English books are the same that you use to offer the Ontario curriculum. Those are some areas that I encourage you to explore to assist at least in the short term.

**1450**

We're engaging in a visioning exercise in the next few months. I've encouraged my constituents to become involved in that visioning exercise, that sets priorities and principles of what you'd like to see the province of Ontario look like in the year 2015 and so on. Those are some of the things that I encourage you to become involved in, because if those are priorities of your organization and your group, then I would encourage you to get into the areas where you're going to be able to influence some of those decisions.

Again, thank you for your presentation. It's not the first time I've heard this. It's as familiar to me, I think, as it is to Monte Kwinter in his riding. I appreciate your unique presentation on that issue.

**The Chair:** Mr O'Toole, you have 90 seconds.

**Mr O'Toole:** I just wanted to say that I also have met with the stakeholder groups in my riding. Certainly in listening, you've presented a very good case. So has Mr Kwinter, in outlining the history.

I do want to lend support for, as Mr Christopherson might say, traditional alternatives—as if they have no value, sort of implying that some kind of new model of the family is more appropriate for society. So I am supporting the importance of home and culture—be that community or church—and school, as a fundamental triangle relationship, a shared relationship.

At the same time, the conflicting challenge before all of us as Canadians would be, we've sort of sold this John A. Macdonald vision of Ontario and Canada. Trudeau called it the multicultural mosaic. It's all nice words, but with those mosaic issues comes the very difference of what we are looking to the Supreme Court for. This will probably be decided some day in the Supreme Court. The constitutionality and the British North America Act and those issues will be described there. So we are listening and we realize that the culture we represent is changing as well.

**The Chair:** Go ahead, if you want to make a comment.

**Mr Hassan:** My final comment would be that we're looking for dialogue and further discussion and study by our government on this issue to look at the pros and the cons, weigh the issue in the balance. If we're correct, and we feel we are, then we would look for some action by our government.

**The Chair:** Gentlemen, on behalf of the committee, thank you very much for your presentation this afternoon. Good luck.

**Mr Hassan:** Thank you for seeing us.

#### ELEMENTARY TEACHERS' FEDERATION OF ONTARIO, THAMES VALLEY LOCAL

**The Chair:** Our next presentation is from the Elementary Teachers' Federation of Ontario, Thames Valley Local. If the presenter or presenters could come forward and state your name for the record, please. On behalf of the committee, welcome. It looks like we're going to give you a bit of help with the maps.

**Ms Nancy McCracken:** Yes, I have assistants right here. Thank you.

My name is Nancy McCracken. I'm the elected president of ETFO, Thames Valley local.

I have brought a map here to show you the scope of the school board in which I work. Thames Valley is, as you know, an amalgamated board. To give you some idea of the size, this map in my hand is the city of London, with the London schools. Of course, all those little dots don't fit on to our larger map. The top northeast corner, the furthest school from the city of London, is in Plattsville. It's about an hour and 20 minutes from the centre of the city of London, approximately the same distance to any of the four corners. The geography we're

dealing with in this board is a major factor and I hope you will remember that as I discuss our issues here.

Thank you for this opportunity to present the perspective of the Elementary Teachers' Federation of Ontario, Thames Valley local, on educational funding. Our organization represents over 3,000 elementary teachers, spread across the huge geographic area of Thames Valley District School Board. The geographic size and the diversity of the communities within Thames Valley make it a good sample of the operation of the education system across the province. We have a large, densely populated urban area, the city of London, smaller towns such as St Thomas and Woodstock, villages and hamlets too numerous to mention, and large rural areas. The people who live here and whose children attend Thames Valley schools are from all spectrums of society, from recent immigrants to families who are marking their seventh or eighth generation on the same farm; from diverse ethnic communities around the globe; from every strata of socio-economic levels.

I hope this afternoon to present some of the specific problems that we as teachers see and give you examples from real schools to illustrate the point. I will not use the names of actual schools or students, but I want the committee to realize how the application of the current funding formulas has affected individual schools, teachers and students. These are not just statistics. These are real students and teachers whose lives are being affected.

**Amalgamation:** I'll just speak briefly again to that issue. Thames Valley District School Board was formed by four former boards, Elgin, London, Middlesex and Oxford, in January 1998. Thames Valley is the third-largest school board in the province and has about 90,000 students. Each educational system had its own processes, procedures, policies and history. Each had its own quirks and pet projects.

The trustees and administrators worked very hard in Thames Valley to make the transition seamless for students, and they have succeeded quite well. It has, however, been a different matter for employees, including the teachers, who are still seeing the fallout from amalgamation and harmonization of programs and services. For example, we've only this past September moved into a single payroll system. At this time, no personnel records from previous boards can be read by the current new personnel computer. All our information has just been amalgamated into a totally new system, which is not the same as any of the previous systems. If a teacher needs verification of employment, for example, for pension purposes, the paper records and microfiche must be searched by hand, and I understand the alternative is to send a disk to someplace in Winnipeg and have them read it.

Thames Valley employees continue to operate under former policies in many areas, creating inequities. For example, we do not have a single harassment policy or an unified wage loss replacement policy. The personnel and time have simply not been available. I do not want to lay blame for any of these things on the staff at the school



board. They work very hard. In the 2001-02 school year, students will, for the first time, have equitable access to French immersion programs in all areas of Thames Valley.

The point is this that amalgamation is not over. When old systems are destroyed, a new one must be created and it takes time and money for planning and implementation while day-to-day operations must continue. The cost of amalgamation has been badly underestimated. Funding should reflect continuing costs of amalgamation for several years into the future.

While moving toward this amalgamation, the school board has been severely restricted in the manner in which it can make decisions in any area by the rigidity of the current funding formula. The school board had hundreds, likely thousands, of small decisions to make in the areas of programming, services to students, contracts with employees and the like. In all of this, as employees, as teachers, we have often found that funding announcements are made far too late, with ridiculously short timelines, creating chaos and uncertainty in areas such as staffing schools for the following year.

#### 1500

You have to understand that teachers plan a year in advance for their teaching assignment. School boards must be able to plan for several years in advance for programming and services to students. The funding and the rules that accompany it must be known well in advance. As an illustration, the staffing for the 2001-02 school year begins in January. It has already begun and is in process. This past year, new funding for primary students was announced in June, which was long after schools and programs were already determined for the following year. A smaller school board might be able to move more quickly, but a system the size of Thames Valley District School Board cannot. The results of uncertainty are a demoralized workforce of teachers and a school board that is planning in an ad hoc manner, both of which are likely to result in a diminished quality of day-to-day education of students, which is the opposite of the publicly stated goal of the provincial government.

Our schools: Thames Valley District School Board is experiencing a population growth, but because funding for new schools cannot be accessed until the system reaches 100% capacity, no money for new schools is forthcoming. Empty classrooms in the southeast corner of Thames Valley—if you will recall the map—do not alleviate crowding in schools in the north end of the city of London, which is our largest-growing population area, nor will boundary changes accomplish anything. Many schools are well over 100% capacity, creating very difficult working and learning conditions as students are housed in portables. I'm not sure if you heard a presentation from the Thames Valley board, but I expect they would have presented the capacity numbers which have been studied every year, and we have a lot of schools that are working at 150% to 175% capacity.

As schools, especially the mid-sized and smaller schools, become more crowded with larger numbers of

classes, access to the gymnasium, the library and computer labs are restricted. Special education teachers, educational assistants and special support staff, such as speech-language pathologists, are working with individual students in closets, storerooms and hallways. This is not a way to deliver an education program or make students or teachers feel valued. Funding for the construction of new schools and additions to existing schools in areas of population growth must be made available to school boards.

Our students: the complete reworking of the delivery of service and funding to special-needs students has left parents and teachers frustrated. The definitions and rules keep changing, the paperwork expands, but here is some of the classroom reality: a student whose behaviour is so uncontrollable, he was discharged from a psychiatric facility is placed in a regular classroom because there is no other place for him; a student who must be watched constantly because he is a potential danger to other students is placed in a special classroom in a regular school, a normal school, after discharge from a psychiatric facility, but he cannot be assigned an educational assistant because his problem is not severe enough. Teachers have been threatened and teachers have been assaulted. That is the reality in our schools right now.

Students are not receiving the education they need and deserve. There is a desperate need for services and places in children's psychiatric facilities and support and assessment services within our school system. Teachers are coping with up to 12 special-needs students in one classroom. How can that teacher provide quality instruction to any of the students in the class under those circumstances?

We need to increase funding for students needing specialized services, such as psychometric and psychiatric assessment and therapy, speech-language therapy, behaviour and anger management training. We need to extend the funding to allow school boards to provide more extensive in-service training for teachers working with these high-needs students.

The discrepancy between elementary and secondary pupils and teachers: first in class size, it was difficult for elementary teachers to believe the announcement of the first new educational funding model a few years ago. We all thought the press had got the numbers backwards. Surely class size aggregates for elementary students would be lower than for secondary students. But, no, the reporters were correct. The funding model mandates there shall be more three- and four-year-olds in a classroom than there can be 18- and 19-year-olds. The class size ratio which dictates the number of teachers is 21 to one for secondary students, who range in age from 14 to 19. For primary students, junior kindergarten to grade 3, the ratio is 24 to one—that is students between the ages of three and eight; and 24.5 to one for grades 4 to 8, or students aged nine to 13, approximately.

Do our youngest students need less attention? Are the fundamentals of literacy and numeracy so much less important? Which group of students is more likely to

work independently while a teacher assists an individual with a difficulty? Primary teachers have borne the brunt of increasing class sizes in elementary schools since the restructuring of educational funding. The exhaustion and frustration is evident when you speak with any of them. There are simply too many students in early years and primary classrooms.

Let me give you some examples. In Thames Valley, there are numerous junior kindergarten classes of 25 pupils; 25 three- and four-year-olds and one adult, one teacher. There is a senior kindergarten class with 27 students; that is, four- and five-year-olds. There are 12 grade 1 classes with 27 students. I would challenge any of the panel before me to invite 27 five-year-olds to your home for a day and not only keep them safe and happy but teach them new skills, assess how well each one is progressing and record your observations.

About 30% of the grade 1 classes in Thames Valley have 24 or more students in them; that is, 30% of these students are in classrooms that are over the provincial class size average. It does not improve the quality of education of those particular students to know that somewhere there are classes that are smaller than the provincial average. Twenty-seven per cent of our grade 1 students are in split-grade classrooms with both grade 1 and 2 students. That means in real terms that a teacher is planning a program for students whose skills range from barely being able to identify letters to those who are reading "chapter books" independently. Those are real children, in the most receptive learning phase of their life, and once those optimum teaching times are gone, they are gone forever. Those real children right now are being shortchanged by an inflexible class size funding model which does not equalize opportunity, but denies it. Our youngest students deserve better.

The class size average for junior and senior kindergarten and grades 1 to 3 should be reduced to 20.

In our higher grades, the picture is very similar. Every school administrator, the Thames Valley staffing system, and the teachers through their collective agreement have attempted to maintain smaller class sizes in the primary grades. By necessity, this then increases the numbers in the junior and intermediate classes in order to meet the average class size for school and system. Grade 7 and 8 classes of 30 to 33 are common in many schools. The problem of numbers can be compounded by the physical structure of the school or classroom. We have one school, built about 10 years ago in a spirit of optimism when everyone thought the trend was to smaller classes, that actually built physically small classrooms. They are well below the standard, but those classrooms now have to hold the same number of students as schools with the regular, standard-size rooms.

The class size average for students in grades 4 to 8 should be set at 21.

The foundation allocation: each elementary-aged student was allotted \$3,429, while each secondary-aged student was allotted \$4,094 in the March 2000 funding, a difference of \$665. This difference has increased as a

result of the slight lowering of the ratio. While it is understandable that the distribution of funding will be different from elementary to secondary, reflecting different teaching and learning focus, why should there be more money overall for secondary students? There has never been a satisfactory answer to that question.

The amount for textbooks and learning materials is 25% less for elementary students. Our teachers are desperate for textbooks and learning materials for their classrooms. Wholesale curriculum changes have made old texts obsolete, but there is not enough money to replace them. In a survey of Thames Valley elementary core French teachers in the 1999-2000 school year, 40% did not have enough texts for one per student.

The amount allocated for classroom supplies is \$77 per elementary student and \$173 per secondary student, a difference of \$96. No wonder elementary teachers cannot conduct proper science experiments, schools regularly run out of paper each spring, and teachers purchase art and craft supplies from their own pocket.

#### 1510

Preparation time: funding for preparation time for elementary teachers is \$228 per pupil, and \$479 per pupil for secondary teachers, more than double. The Education Act mandates an instructional time of at least 1,300 minutes, leaving 200 minutes available for preparation time in the standard instructional week of 1,500 minutes. The foundation grant only funds four teachers per 40 classroom teachers, which is less than 150 minutes per week. Any improvement comes out of the total teacher compensation package; in other words, elementary teachers who have negotiated more preparation time pay for the improvement themselves. It still does not approach the preparation time allotted for secondary teachers, both in the Education Act and in the funding. While our teaching assignments are vastly different and difficult to compare, there is no justification for this huge discrepancy.

Funding for preparation time for elementary teachers must increase to the legislated limit, 200 minutes per week, and should move overtime to equal that of secondary teachers.

Staffing and program: the application of the staffing formula has led directly to significant loss of program throughout Thames Valley schools. This is why staffing and program must be considered as a single issue. When the formula recognizes only classroom teachers, it makes the delivery of specialist programs almost impossible except in our largest schools. Larger schools are at a definite advantage, as they can maintain class sizes while still assigning teachers to special assignments such as music. Smaller schools have no ability to assign teachers to anything other than classrooms. Here are some examples.

Computers in our schools: the rigid formula for calculating the number of teachers leads to innumerable difficulties which are not immediately apparent to anyone who does not know how schools work. For example, there is no staffing allocation for the teacher whom we



locally call the computer contact teacher. These teachers instruct other teachers on new software, troubleshoot with technical glitches, and are often responsible for the printing of report cards, among many other duties. Previously the boards allocated a number of minutes per week or per six-day cycle to allow a teacher time to perform those duties related to the computer network and the software. This is no longer possible. It is a completely voluntary position, requiring a minimum of several hours of work per week. Neither is there enough technical support at a system level, so that computer networks in schools are often down for weeks together. The results in elementary schools are that either a teacher is spending hours of volunteer time or the job isn't getting done, which means thousands of dollars of computer hardware and software is collecting dust. If we want computers in elementary schools, then the funding must be there for proper training and ongoing maintenance.

Funding must be allocated to allow time for teachers to instruct other teachers and students in computer technology. Funding for technical support staff to maintain and service computer networks must be increased.

Music: music programs in Thames Valley schools have been decimated. I can find no other word for it. There is no funding for music programs or teachers. Any music programs remaining are in the larger schools which happen, through luck, to have a qualified specialist teacher on staff. If that teacher leaves, the program may die. Smaller schools have no options. They do not have any flexibility in assigning teachers, and music instruction is left to teachers with no background or qualifications. If our goal is quality education, this is not the path to take.

The estimated loss of music programs taught by specialist teachers, many of them Kodaly-trained, is about 60%. For example, one school went from a 90% music teacher to 35%. That 35% is currently only devoted to the junior-division classrooms, grades four, five and six.

Another school completely lost its talented music specialist in 1999, when she had to be assigned to a classroom. In the previous year, 1998-99, students in that school received a minimum of 150 minutes of music instruction per six-day cycle. In 1999-2000 they had no music program overall except what classroom teachers could deliver, and in 2000-01 the music instruction has been restored through a gymnastics of timetabling to allow 50 minutes per six-day cycle for each class.

Research in music instruction has proven its value in exercising the mind and enhancing learning. Our talented students are deprived of brilliant instruction from exceptional teachers. For many of our students this may be their only exposure to music in a formal sense. How many doors are we closing for the future? Funding must be allocated to allow for music instruction by qualified music teachers.

Teacher-librarians: teacher-librarians are the heart of a good instructional program in any school. They monitor and provide resources in a variety of media, work with teachers and students to develop research-based instruc-

tional units and are truly the gatekeepers in our information age. When Thames Valley District School Board was formed, one former board did not have teacher-librarians and, to its credit, program services made a commitment to expand the teacher-librarian allocation to all schools in the valley. However, this did not balance the overall cuts to teacher-librarian positions as illustrated below, and I believe the graph speaks for itself. The Thames Valley board is currently funding more teacher-librarians than the funding formula allows. We are hoping they will continue that commitment.

Many schools have a teacher-librarian allocation of 0.3, which works out to be one and a half days per week. That's unworkable as students and teachers need access to libraries and teacher-librarians on a consistent daily basis. We need to increase the allocation for elementary teacher-librarians to allow a minimum of a half-time teacher-librarian at each school and a full-time teacher-librarian for schools of over 300 FTE students.

Design and technology: under a previous provincial government, the program integrating science and mathematics into real experiences for children was developed. It was called design and technology—D&T in teacher talk. Children developed projects and built working models of things like airplanes or bridges, giving them opportunities to understand how the world works. For many students this type of hands-on learning is their best learning mode. Schools purchased equipment such as saws, hammers, safety glasses and materials and renovated classroom space. Teachers were assigned to this challenging and interesting program. All of that equipment is now useless. It has been removed from most of the schools. There is no design and technology program.

Professional development: with completely new curriculum, electronic report cards, new processes for individual education plans and countless other changes, teachers are desperately in need of professional development time that is not tacked on to the end of a working day.

Most people do not understand that curriculum documents from the ministry provide no lessons, materials or methodology for actual teaching. New units and lessons must be developed and planned, keeping in mind the various needs of all students, the range of academic abilities and skills, and with materials and variety that allow success for all. This is a lengthy, demanding process. More funding should be allocated at the school level to allow teachers extra preparation time on a regular basis throughout the school year for the purposes of developing curriculum expectations into teaching units and lessons. This could be in the form of extra staff allocation or more funding through the occasional teacher line.

1520

Teacher compensation: teachers across the province have had their first salary increase since 1993. In that time, inflation has eroded over 12% of our salaries, while private sector jobs got modest salary increases throughout that time. The result is an extremely low compensation package for teachers in comparison to other

employment groups. Many young people entering the workforce for the first time with an ordinary university degree or college diploma are making as much as experienced teachers who have an honours degree and a bachelor of education. I have appended at the back the current salary grid for the Thames Valley elementary teachers.

In the current and worsening teacher shortage, the government will need to respond, just as the private sector does, with enhanced compensation for teachers. If this does not happen, the teacher shortage will become worse as young people find more lucrative employment, trained teachers go elsewhere and experienced teachers nearing the end of their careers cannot be persuaded to remain.

There is actually a disincentive for teachers to improve their own educational qualifications. Since there is no allowance or allocation for extra degree allowances such as master's degrees or doctorates, our collective agreement gives teachers a one-time payment of \$500, a truly insulting amount which does not begin to address the financial cost and effort involved, let alone recognize the expertise which is now available to the school board and to our students. Compensation for teachers must increase significantly to compare with other employment sectors with similar qualifications and responsibility.

To conclude, the central difficulties with the current funding formula, from the perspective of elementary teachers, are the following:

- Class size ratio must be lowered, which would achieve both smaller classes and more flexibility in programming;

- Funding for textbooks and learning materials must be increased;

- Funding for preparation time and professional development must increase;

- The disparity between elementary and secondary funding must be eliminated;

- Specialist teachers and programs must be restored; and

- Teacher compensation packages must increase.

I hope the committee has the vision to see that Ontario needs a significant reinvestment in our education system. Efficiencies can only happen once. Cutbacks and restrictions in spending have mortally wounded sound educational programs in Thames Valley. Continuing attacks on teachers in public relations campaigns have demoralized the teaching staff. Quality education is not cheap. It is disgraceful that Ontario ranks 55th out of 63 in educational funding among North American provinces and states. Please have the courage to demonstrate your commitment to children and to our future.

**The Chair:** You've used the entire 30 minutes for your presentation. On behalf of the committee, thank you very much.

#### INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

**The Chair:** Our next presentation this afternoon is from the Interfaith Social Assistance Reform Coalition. I

ask the presenters to come forward and state your names for the record. On behalf of the committee, I'd like to welcome you.

**Rev Brice Balmer:** I'll start the introductions. My name is Brice Balmer. I'm the secretary for the Interfaith Social Assistance Reform Coalition. I also happen to be a chaplaincy director at the House of Friendship, which is a large social service agency in Kitchener-Waterloo.

**Rev Darlene Cunliffe:** I am the Reverend Darlene Cunliffe and I am from Brantford, Ontario. I'm also here as a representative of the Huron Against Poverty committee, which is part of the diocese of Huron. I also coordinate a meals for the homeless program in Brantford, with the co-operation of Ontario Works.

**Rev Frank O'Connor:** I'm Father Frank O'Connor. I'm here representing Bishop Sherlock and the diocese of London. I teach at St Peter's Seminary in London and have worked with the different poverty groups in the city of London.

**Mr Greg deGroot-Maggetti:** My name is Greg deGroot-Maggetti. I'm the socio-economic concerns coordinator for Citizens for Public Justice. We're a national, non-profit ecumenical group that works to promote public justice in Canadian public affairs. I live in Kitchener, Ontario.

**Rev Balmer:** We're glad to be here. Greg and I are both on the ISARC board, but when we are in different communities, as you are, we like to bring people from the community who also are participants with us. ISARC is both a provincial organization and an interfaith organization. If you have our brochure, you can see at the back of it we list the different faith communities that are a part of our organization. I think you'll see the breadth of the commitment to the Interfaith Social Assistance Reform Coalition.

We have a short statement, which is in the front of your packet. I would like to read that through for you and then we'd be open to questions and discussion about some of the points we've made and some of the concerns that you also would want to raise.

The Interfaith Social Assistance Reform Coalition, or ISARC, as we're known, is concerned that we build a sustainable society for all Ontario residents. Since 1986, we as faith communities have been deeply troubled by the rising numbers of Ontario people living below the poverty line. If you look at the back of that sheet, you will find many of us have been involved in Out of the Cold, in shelters, in all kinds of programs where we have tried to work with those who are the least fortunate. We're also getting very burned out at this point because the numbers continue to increase.

We have worked with Liberal, New Democratic and Conservative provincial governments and have not seen a substantial decline in poverty since our beginning in 1986. In fact, poverty has increased. Persons in the lowest economic quintile continue to struggle with decreased incomes, higher rents, more barriers to a living wage and more barriers to employment. Though welfare rolls have decreased, homelessness, child poverty, and



food bank usage have increased. We call on the Ontario government to make the reduction of child poverty, hunger and homelessness a priority.

A society is judged not by its generosity to the affluent but how it treats the poor and the vulnerable. Therefore, we urge this government to use the current surplus to meet the needs of lower-income individuals and families.

During the past 30 years there has been an increasing economic gap between the rich and poor in Ontario, and that also goes for all of Canada. This gap is creating an underclass which has little chance of competing and whose children often are severely harmed. Instead of tax cuts, we call for monies to be allocated to affordable housing, to the children's agenda and to increased monthly incomes for those on social assistance. This reduces the gap and the barriers for the lowest-income Ontario residents so that they can become employed and take responsibility for themselves and their children.

One rationale for this proposal comes from the six values that are integral to our work. These values are embedded in all of our faith traditions: safeguarding human dignity; enhancing mutual responsibility; ensuring social equity; ensuring economic equity; working toward fiscal fairness for all Ontario residents; sustaining and improving the environment—the water, the land, the air and the other public goods which we all have and own.

Specific recommendations for Ontario's 2001-02 budget include co-operation with the federal government to provide affordable housing. As you have all seen, the provincial government cut back 17,000 units in 1995 and only 4,000 rental units have been built since 1995, so we're facing quite difficult circumstances.

Second, co-operation with the federal government on the national children's agenda: the Early Years report is a well-researched provincial initiative and local communities are very willing to work toward the Early Years report. Funding is needed for start-up and for child-parent programs, prenatal and postnatal care, and quality preschool and child care that is affordable and accessible to all Ontario families.

Third, eliminating the national child benefit clawback for welfare recipients and other means of adequacy in social assistance payments. Families on Ontario Works and the Ontario disability support program are unable to provide basic essentials, especially with the current high rents. The federal monies would be a real increase to their incomes and provide a sense of hope, which is needed in order to take responsibility for their lives and to increase employment.

Fourth, a moratorium on further tax cuts and rebates for more affluent Ontario residents. The government should work toward fiscal fairness and decrease the social and economic gap between the wealthy and the economically disenfranchised.

1530

ISARC will continue to work with the provincial government; in fact, we have been meeting with some of the deputy ministers. Yesterday a number of us were at a consultation, many of us for the second time, around the

mandatory addiction treatment, which used to be called mandatory drug testing, and we continue to work at that level. We're also working with the opposition parties and other coalitions. In fact, if you look at the back of this, our work is with Campaign 2000, Workfare Watch, a number of the housing groups. We're involved with a wide group of coalitions that are working with lower-income and socially and economically disenfranchised people. We wish to help frame policies that will ensure a safe community for all of us to live in. We feel that safety and health are enhanced when all people have a safe place to live, enough to eat, ability to raise their children in a good environment and access to quality jobs.

I've listed the attachments, which are backgrounders. All of you were invited to a religious leaders' forum on February 7 and the backgrounders are the ones that are appropriate to this statement, as well as ones that were passed out on February 7.

**The Chair:** That completes your presentation?

**Rev Balmer:** We were hoping we would have a good discussion with all of you rather than trying to—

**The Chair:** We certainly will. I just wanted to make sure you were done.

**Rev Balmer:** Yes.

**The Chair:** Thank you very much. We have approximately six minutes per caucus, and I'll start with Mr Christopherson.

**Rev Balmer:** Pardon me, David. Susan Eagle, who's also one of our members, is at the end of the line. Maybe Susan could identify herself.

**Rev Susan Eagle:** Susan Eagle, from the United Church of Canada. I live and work in London.

**Mr Christopherson:** I don't disagree with a lot you've said, so we're not going to get into anything we can bandy back and forth. I would hope that you'll engage the discussion with the government about the tax cuts, because it's the same argument I've been carrying for the last week and a half. We even had Jim Stanford come in and make a presentation; you may have read it. I can tell you that no one has refuted that yet. It may happen, they're working on it, but it hasn't been outright refuted—other than John, outside of that—his argument being that there really weren't any tax cuts anyway.

There's just no argument there to be had, and yet it's the one they pay the closest attention to. I think what you're going to hear from them, and I'm sure you're ready for it, is that they're going to give the political spin, the economic spin, that these tax cuts are what's going to generate all the dollars and that's going to be reinvested, then there are going to be jobs created and the money that's generated through tax revenue will be spent on all these good things. It makes for a wonderful speech; none of it happens.

The reality is that we've gone through the biggest economic boom we've ever seen over five years and, yes, the dollar side looks good. The chambers of commerce roll in here and they sing the praises of this government from the beginning of their half-hour to the end of it, but virtually every group that has come in here and talked

about the social issues, all of the things the average person and their families run into on a day-to-day basis, is paying the price. You're here representing those who have paid the absolute greatest price, so I hope you're ready for that.

I would ask you, out of all the things that you're asking, what do you think would be number one? I've posed that to the other side and it's only fair I put it to you. If you had one area that you could see moved on immediately, what do you think would have the single biggest impact? Recognizing nothing is going to solve all the problems, what would be the number one priority and why?

**Rev Eagle:** They're letting me speak right now because unfortunately I have to leave shortly. You're quite correct, all the social indicators demonstrate that in spite of what the economy is doing, the poor among us are getting poorer. Tenant incomes have had a net decrease, increased waiting lists for housing etc. I would be very torn in terms of one thing I could do right now, either restoring the cuts to social assistance or dealing with housing. I suppose if you started to deal with the cuts to social assistance, you'd be restoring some of the shelter amounts that people need, but those would be two huge areas that have had the most disastrous effect on low-income people.

When the government cut the housing programs in 1995, we lost 17,000 units of housing at that time, and there have been virtually no affordable housing units built across this province, in spite of all the promises that have been made.

For the people who lost the 21.6% social assistance, what happened is that they very often lost their housing, had to move to poorer-quality housing, smaller housing. Many of them are finding they can't feed their kids at the end of the month. So it's a difficult choice, but if I could stretch your question to identify two, those would certainly be two big areas.

**Rev Balmer:** I want to accentuate both of those but especially the housing one, because every place where we've had safe and affordable housing that people can live in, they start to take responsibility for their lives. We've had amazing experiences. I work for a large organization called House of Friendship. When we put street people in their own housing, they went back to school, and they stopped using alcohol and drugs. In this case there weren't children involved, but in other places where we've have housing, they start to take care of their children in a more appropriate way, they start to be involved in the community. But you have to be safe—the barrier to employment is your own safety. If you're living in chaos, it's very, very difficult for you to get out and get a job and take responsibility for yourself. But once we get people into safe, affordable housing that they know is not going to be jerked away from them, we see amazing social progress being made and people going back to school and getting jobs.

**Mr Christopherson:** One of the things the government, unfortunately, has been effective in doing is to

demonize the poor, my word, basically leaving the impression with the vast majority of voters—I'm going to say "voters" because in the power play of this place, that's what matters. In the minds of a lot of voters, they've bought into this. I think for those of us who want to turn things around, one of the keys is going to be reaching the average working, middle class, where the bulk of people and their families are.

How best do you think we should be doing that? How do we re-educate people that people aren't poor because they choose to be? Little kids don't say, "When I grow up I don't want to be a police officer or firefighter. No, I want to be poor." This doesn't happen, and yet somehow, we seem to be at that point. What's your sense of how we begin to turn that around, aside from the value of your coming forward here, which I thank you for doing?

**Father O'Connor:** I would think that one of the crucial things that particularly this government should do is to appeal to what's best in us. That's crucial because, unfortunately, I think many times what's happened is that the appeal has been to what's most base in us—in a sense, our greed. If we can look at the importance of the social fabric of our society—I think we can see it in health care, I think we can see it in education, I think we can see it in housing and, above all, in social assistance. If we look on people as commodities and things and lose the perspective of the dignity of each human person, then we make the ultimate criteria the economic criteria rather than seeing that economics needs to be put in human values and moral values.

What do I think the great transformation is? I think the legislators and the teaching they give us as a basis of the principles that they use to make their decisions have to be principles that really have solid, human, moral values that are going to raise up the dignity of people and also appeal to what's best in us.

**Mr Christopherson:** Thank you all for coming today.

**Mr Arnott:** Thank you very much for making your presentation today. Mr Christopherson has indicated what I'm going to say already, but I think I would like to add to some degree to what he said.

First of all, I want to say that we don't doubt your sincerity and your desire to improve the lives of people in our communities. I'm privileged to represent the riding of Waterloo-Wellington and I actually represent a fairly big part of the city of Kitchener, in the Laurentian Hills area, the Country Hills and part of the Pioneer Park neighbourhood, so I am very interested in what is happening, obviously, in the city of Kitchener with respect to the issues you've talked about.

1540

I guess I would take you back to 1995 when we were elected to form a government. You may recall that the provincial deficit—the cost overrun, if you want to call it that—was about \$11 billion per year. We were spending \$1 million an hour more than we were taking in. The unemployment rate was unacceptably high. The numbers of people on social assistance were unacceptably high as well. We were trying to encourage job creation, and we



had a plan and we put it to the people quite directly as to what we would hope to achieve in terms of our goals, and we were supported and elected.

The decisions we've had to make in government in terms of reducing spending have not been easy, and we've tried to do it as sensitively as possible. Certainly that's the subject of some considerable political debate, but we have tried to accomplish the goals that we set out for ourselves and improve the lives of people in the province. We have encouraged the creation of about 800,000 new jobs, and that is a significant accomplishment, I would argue. That's not to say we can rest on our laurels; we have to do more. I think that those people who now are working who weren't working before are much better off in every respect.

You've talked about six values that sustain your work and your beliefs and I wouldn't disagree with any of them, but I would also add that I certainly believe that there is merit in encouraging individual responsibility and in encouraging self-reliance in our people and that we need to also support those who are unable to support themselves. That has to be part of our fundamental value set.

We are in a position now to look at where we're moving forward from here. We've got at least two years to go in our mandate, and we are interested in hearing what the views of the people of Ontario are as we move forward. We do appreciate the advice that you've given us. Thank you very much for making the trip to London, some of you, to present to us today.

**Rev Balmer:** Some of us would ask the question, the wealthy in the Waterloo region, where you are and where I live—we're 5% greater in terms of the growing gap between the rich and the poor. At the House of Friendship where I work, as you well know, we have not decreased our service. In fact, we have more food hampers going up from the Waterloo region, we have more people in shelters. The Out of the Cold program has doubled in the last year; ending in April until it started on November 1, we doubled. What's happening is that there are more and more women, and we're afraid that children are going to follow very quickly. They do come for supper; they don't stay overnight.

It's the moral and ethical question that we have to raise. We can't deal with the economics, but there is a moral and ethical failure in terms of not being able to address this issue. I don't want to just put it on your government, because ISARC started in 1986 and we at House of Friendship and the other churches thought we were into this thing on a short-term basis to help the lowest and the most needy and to try to figure out how to do that. But we have not yet had places where people have helped us with housing, with food, with—you say jobs, but you have to take a person for a while before you get him to a job. If it's short-term poverty, we can get a person into a job really, really quickly; if it's long-term poverty, we have a big problem.

My question is, in terms of the moral and ethical dimension, when are we as political parties and

government of Ontario, as well as Canada, going to start to take a look at why people are poor, why they stay poor and why the poverty figures don't go down? What do we see? Everybody's been lauding Nortel. Look what Nortel got us over the past week. Is that where we want to put our money? Many of us do with our RRSPs. Some of us are asking the question—there is a moral and ethical issue here; it's not just a political issue—how do you take care of the people who most need assistance and how do we all do that, and how do we create a community that does it, rather than tear our community apart?

**The Vice-Chair:** We have about a minute and a half left.

**Mr O'Toole:** At the risk of sounding like I'm lecturing you—I am listening, but I do want to somehow legitimize my own situation. I consider myself a person of faith and conscience. I believe there are differences around this table in the approach to the solutions. I commend your community working together. It's going to take more of that, rather than more money in many cases. I do espouse to the teach-a-person-to-fish idea as opposed to giving them a fish.

I just want to go back to some of the fundamental premises where we all get off the track. The short-term solution of writing the cheque is no longer a solution at all. It's the politics. What you're talking about is a longer-term economic change in focus: the sharing and distribution of wealth, which is primarily a fiscal and tax policy. I believe what we're doing, and this is why I can with conscience and faith stand up and not disagree with you except on the approach. I fundamentally believe the simplest analogy is that you must have the strong economy first before you can deliver the house or the goods or the food.

Now, if you don't espouse that, I put to you the model is, in the vacuum of that, building capital infrastructure, you don't have the ability to redistribute wealth. So it's a very simplified premise, with the 90 seconds that I've got—maybe you'll get time to respond—but if we can't agree on that, then where does the fish come from without the silos and all of the bureaucrats in the offices? By the time program delivery gets down, there's about 12% in program; in every budget, it's 80% or 90% wages.

**The Vice-Chair:** We're going to have to move on. I gave you more time than the party was really allocated. We move on to the official opposition. Mr Hoy.

**Mr deGroot-Maggetti:** Do we get to respond to you?

**The Vice-Chair:** He used up all his time. Respond to him when you get the opportunity here. Sorry.

**Mr Hoy:** I appreciate your being here this afternoon, and I noticed your hand up a few minutes ago. How much time do I have, Chair?

**The Vice-Chair:** Six minutes.

**Mr Hoy:** OK. You'll have some time to speak, most assuredly.

One of the most disturbing things for me when I became an MPP, other than health-related issues, was the fact that people came to me and were just devastated that

they would never own a home, and I appreciate your comment on safety. Now, it might have been that those people had a dwelling, but they didn't own it, and they said to me, "I will never have a home." They didn't care about a car and some other things in life, but they really wanted a home. So I appreciate your comment.

You would like to respond, I believe, to the other side. If you'd like to, you could.

**Mr deGroot-Maggetti:** Just to respond to some of the statements that were made.

Mr Arnott, you said that all those people who have jobs now are better off than they were, but when we look beyond the averages and the statistics and things like that, it turns out that actually the majority of working families are no better off now than they were in 1989. The situation hasn't actually gotten better.

The Vanier Institute of the Family released their latest profile of family incomes. It turns out that families are working harder just to not even reach where we were in 1989. So we need to take a look at reality. Are we really better off? If we look at the growing number of working people who are showing up in food banks, it should cause us to question, really deeply, is just having a job making you better off? For a lot of people, it's not.

We need to take a deeper look at some of the economic assumptions that we make. The assumption that economy comes first and then you can pick up the pieces afterwards has actually come under increasing questioning among professional economists. The concept is called "social capital." There has been a growing awareness as industrialized countries over the past 25 years have substantially eroded a lot of the social capital; they're finding out that the base for a strong economy—and I think you would agree; I read it in government documents and things like that—is the human beings. It's the people of this province who will create a strong economy.

Now, if we have children whose parents can't feed them, because either they can't get by on minimum wage jobs because minimum wages haven't been raised, or they can't even find basic shelter for themselves, this is not only an abuse of these children but it's a long-term loss for our economy. So the long-term legacy of cutting back so deeply is going to come back to us in higher health care costs, in a whole range of other social costs. We really need to take a close look at that, and I would suggest you pursue some of the work of economists that are pointing out the deep connection between investing in social capital and a strong economy.

There's one other point I'd like to make. I've heard time and time again about the huge deficit that you entered into office having to deal with, and of course we hear the same thing from the federal Liberals about your federal counterparts, the federal Progressive Conservatives, that they left them with a huge debt and deficit problem. Provincial governments can sometimes confuse what their economic role and responsibility can be and assume they have a much large impact on the macroeconomy than they actually do. In my judgment,

the previous government had the same misperception, for the primary reason that a provincial government does not control monetary policy.

**1550**

Professor Peter Howitt, who at the time, in the early 1990s, taught at the University of Western Ontario and was a staunch advocate of the Bank of Canada's zero inflation policy, pointed out in an essay written for the C.D. Howe Institute, in a footnote, that if the central bank, the Bank of Canada, pursued that policy, it would create severe fiscal problems for provinces. Lo and behold, he was correct. That's where that debt and deficit problem came from. Part of it was spending that resulted from the deep recession that Canada was plunged into.

I would just caution that we make more realistic assumptions about the roles and responsibilities of different levels of government. The provincial government has a very strong responsibility in a lot of the social areas to make sure that the social infrastructure, the social fabric, is knit strong, that I can rely on my neighbours, that my taxes assure that all the children in my neighbourhood can have access to good family resource centres, child care and early childhood development, which your government has endorsed in the Early Years report.

But it's not just a matter of people being there, because people also need to pay the rent or the mortgage; the grocery store needs to get paid in money. So we can't just rely on people volunteering more and more and more; they have to be paid. What sense does it make to have more and more people showing up at food banks and having our grocery stores donate extra food and get a tax break, instead of raising the minimum wage so people can go and buy food at the grocery store, can eat at the local restaurant, can give a boost to the local economy?

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

I have a couple of short announcements. The bus will be leaving for Toronto at 6:30. The bus will arrive at 6:15, so let's be on time. The bus will also stop at the airport for those people who have vehicles at the airport. So, whoever is getting off at the airport, please leave your luggage at the back to facilitate the process of this in Toronto.

## ONTARIO BUSINESS NETWORK

**The Chair:** Our next presentation is from the Ontario Business Network. I would ask the presenter or presenters to come forward and state their names for the record. On behalf of the committee, welcome. Go ahead, gentlemen.

**Mr Bill Ross:** Good afternoon. My name is Bill Ross. I'm with Michael Vanpelt. We represent the Ontario Business Network.

In January 2001, Mike Harris announced the PC government would embark on the third stage of the Common Sense Revolution. For the Ontario Business



Network, this announcement could not come soon enough.

We are an organization reflective of a large core constituency loyal to Mr Harris's vision. This constituency has watched in angst as an aimless, reactive second-term government drifted away from its original principles. To us, Mr Harris's announcement is a welcome clarion that the government intends to refocus, return to key planks and, most importantly, attack our accumulated debt in earnest.

When we founded the Ontario Business Network our stated goal was to help elect a fiscally responsible, pro-business, balanced government. After researching Ontario's three main parties, we embraced the PCs and their philosophies.

From 1993-95, meeting regularly with Dianne Cunningham and her colleagues, we helped provide background and vetting for proposed party policies. In 1995, we devoted inordinate time and resources to elect Mike Harris and his Common Sense Revolution.

We printed and distributed the Real Story of Ontario, copies of which we have here, and Mike will pass them around just by way of introduction to let you know where we, as a small business group, felt Ontario was in 1993. There is a lot of emotion in that document, by the way.

We canvassed, raised funds, identified candidates, staged radio and television events, held press conferences and organized information seminars. One such seminar, held in February 1995 and featuring Catherine Swift of the CFIB, was credited by her in a post-election Financial Post interview as being the genesis of a public awakening to the deleterious impact of debts and deficits.

To promote the need for labour change, I appeared on televised debates with CAW's Buzz Hargrove, while other OBN members arranged photo opportunities for Mr Harris at small manufacturing facilities, thus affording the press first-hand exposure to the job-killing effects of Bill 40.

At public meetings, Mr Harris championed the need for a government revolution while attacking the powers of vested interests. Whenever possible, he proclaimed that Ontario did not have a revenue problem; it had a spending problem.

With his election, Ontario was reinvigorated. He implemented change with an unwavering belief of one truly convinced his vision was right. Not to act would have been reprehensible.

With the advent of a Harris government, the Ontario Business Network looked to disband, and I personally wanted to play more golf. However, the newly elected provincial government continued to beckon, and the network stayed involved, up to and including today.

During the first term, we provided Minister Witmer with countless empirical justifications for repealing Bill 40. In spite of her pledged commitment to do otherwise, Bill 7 fell short of complete repeal, an ominous precursor of future missed opportunities for improving Ontario's labour environment. Michael will elaborate on this later.

Commencing in the second term, stagnation began to settle around the government. The second term has been plagued by a sense of complacency and increasing paralysis. Ministries are less approachable, more absorbed in political correctness and concern for avoiding controversial public issues which could mar their minister's political future.

Gone is the adherence to the unofficial government mantra, oft repeated by my friend Frank Sheehan, chair of the Red Tape Commission, "If it's right, do it." It also makes for good politics.

I will cite one first-hand example of this ministerial paralysis. As a board member of a local charity, I participated in an initiative to establish a computer learning program serving over 200 economically challenged children. The objective was to provide equal opportunity for them in the interconnected computer world. Funds were raised, new computers bought and volunteer elementary teachers offered their time. All we lacked was software licensed to the Ministry of Education. A wonderful potential public relations opportunity botched.

My initial correspondence appealing for co-operation was ignored. Only after repeated attempts and intervention by various government MPPs did we get a perfunctory reply lauding the program's intent but dismissively rebuffing our request, on legal advice. Further attempts throughout 2000 bore no progress. Finally, circumventing the ministry, we were able to acquire the programs with the assistance of a local education administrator. Despite the ministry's reticence to assist, we now have a project recognized as prime for the Premier's Ontario's Promise initiative.

The above is one example of the malaise infecting the government. I can cite others, I assure you, but I won't. It is in this environment that Mr Flaherty must sculpt a budget that is bold and imaginative yet make an unequivocal attack on our debt.

Reviewing the government's financial statements in preparation for this presentation, I was struck by the plateauing of both the debt and our interest payments, as well as a discernable upswing in government spending. We cannot continue to spend nearly \$10 billion to service the official published government debt, a debt which does not include Ontario Hydro or the unfunded liability of WSIB. Without a dramatic debt reduction strategy, future investment in Ontario will be vulnerable, as major investment competitors—Alberta and the US, to name two—have either fully eliminated or dramatically reduced their debts.

Mr Flaherty, for whom I have great respect, has a daunting challenge but also a significant opportunity. By making meaningful spending efficiencies his hallmark, he can reawaken his ministerial colleagues to a common objective. To succeed, he will need to challenge them to abandon their parochial and protective mindsets and to reinvent their ministries.

**1600**

The government cannot count on expanded revenues to decrease debt. Meaningful spending reduction must be

accomplished. New approaches to ministerial management must be adopted, particularly at the two largest-spending ministries, education and health.

**Education:** where private sector competition for Earl Manners's monopoly must be considered as a bona fide option and where expropriating union negotiations from local school boards should be a priority. This is essential, given that salaries comprise 80% of all education expenditures and many existing boards lack the tenacity or philosophical ardour needed for effective union negotiations.

My understanding is the government's entire \$5-billion spending increase is attributable to the Ministry of Health. Every critic will tell you this is a complex arena. This should not deter radical change, for the status quo is a recipe for a funding explosion which will undermine our objective to eliminate the debt while cutting taxes.

To this point, this presentation has focused on what the Ontario Business Network is, what its relationship with the government has been and what concerns it harbours re the province's future finances. I would now like to shift your attention to the second main tenet of our mandate: improving Ontario's archaic labour relations environment.

Having just spent the past year working with Frank Sheehan to draft meaningful labour change and producing what we felt was a well-researched, balanced, progressive document only to have it emasculated and rendered unrecognizable by a minister so preoccupied by the threat of a province-wide strike—a hollow threat made by desperate union leaders—I vowed never to participate in such a process again. Bills 69, 139 and 147 are merely bandages upon duct tape upon bandages. If we are to effect true change in an area critical to our long-term economic health, we must entertain a different approach.

Mike Vanpelt, president of the Work Research Foundation, a public policy think tank, feels he has just such an approach and asks your indulgence while he elaborates.

**Mr Mike Vanpelt:** Thank you, members of the committee, for the opportunity to speak. The Work Research Foundation is a non-partisan, independent think tank, and I will keep my remarks within a public policy orientation, not a political orientation.

There are what we see as two fundamental characteristics that form or inform the research that the Work Research Foundation is doing and has done on labour relations. Number one is that the principle of freedom of association is a fundamental freedom within the institution of unions here in Ontario, in Canada and in all of North America. Number two is that the process of collective bargaining is not necessarily, as generally thought in North America based on our present model, an adversarial process.

If we look at the public policy that we're dealing with here, especially here in Ontario, it's a dramatically polarized public policy. On the one side you have a view that employers need to be viewed with suspicion. I quote Buzz Hargrove in a recent article, his comment on being

kicked out of the CLC, which was a fascinating initiative on his part, still noting that the interests of the corporation are fundamentally different than the interests of the employee. So you have that one side of the public policy discussion. On the other side of the public policy discussion you have many right-wing players, many of those being in business, who are intent on doing whatever it takes to break the union wherever they can and as dramatically as they can.

Quite frankly, our sense is and the research that we have done suggests that there are alternative ways of doing that. I want to point out two key aspects that might be suggestive for governments, business and labour to consider when viewing an alternative approach to labour relations, one that doesn't undermine the institution of the union or of collective bargaining, and at the same time encourages flourishing markets and entrepreneurship.

The first issue is union monopolies. The challenge we face in Ontario—and I want to use the construction industry as an example. The construction industry is essentially fraught with union monopoly. If we pick up other models in our business experience, we know nearly intuitively, we know nearly by self-evident principle, that monopolies are troublesome concepts in terms of business activity. The telecommunications industry is one excellent example where removing a monopoly has created increased business activity, higher levels of productivity, the ability and the interest to integrate technology into change and into business operations. That same principle needs to be given consideration in the legislative frameworks and the culture that we have with respect to our unions here in Ontario, and especially in the construction industry. When we are prepared to review and to in effect eliminate this kind of monopoly, our sense is that we will have a much more conducive public policy environment where unions can actively compete among each other, can actively provide representation and service to their members.

There's a whole concept of worker choice and freedom of association behind this issue of union monopolies. There are many other examples besides the construction industry that have a union monopoly. The building trades council is probably one of the most pronounced and well-known examples of that.

The second issue I want to point out is for government, business and unions to give consideration to allowing more than one form of unionism in Ontario. In most of our legislative environments in Ontario and also right across the country, again specifically with the construction industry, we support and we have built in recognition of craft-style unions, where your union follows the craft that has historically been built. It is time for governments, business and labour to consider allowing alternative forms of unions, including wall-to-wall style unions. This is done in other jurisdictions, including Europe. It provides the kind of innovation that businesses will need to manage technology, to manage higher levels of productivity.



I come from Sarnia—I was formerly the general manager of the chamber there—and it's a perfect example, a petrochemical industry that needs an alternative form of unionism other than the craft-style union. That would eliminate numerous jurisdictional disputes. It would have a whole different approach to productivity. Already some of the unions are looking at this as an option, including the labourers' union, including the CEP, for example. However, they are being stymied by legislative environments that prevent that and they're also being stymied by a culture that prevents that.

So those are two practical policy ideas that we think will fundamentally change labour relations without forcing the kind of adversarial environment that we seem to have such joy in encouraging.

Those are my remarks, and hopefully they're helpful.

**The Chair:** Does that complete your presentation?

**Mr Ross:** Yes, it does. I just had a concluding remark. I wanted to remind members of the committee that we appeal to you on debt reduction and for ongoing labour relations improvements. This appeal comes from a volunteer organization. We've not only talked the talk but we've walked the walk, and we continue to do so. On that, we thank you for your time.

**The Chair:** Thank you very much. We have approximately four minutes per caucus.

**Mr Galt:** Thank you for your presentation. It's interesting. We've now come across somebody who is further to the right than Frank Sheehan. I wasn't sure that was quite possible.

I get accused of going both ways. I think in terms of, if somebody is in trouble, I'd like to be the first there to help. But when I find out the budget isn't balanced and we're spending far more and we have almost \$10 billion that we're paying in interest, I go awfully hard to the right, maybe to the right of Frank Sheehan; I'm not sure. But I get very, very concerned about spending more than we're taking in.

1610

I thank you for your support and some of your kind words. I could use your kind of work in Northumberland, come the next election; it would be helpful. With your attack on the debt you were right on, and we certainly heard that earlier today, but I want to hear your response. I want to have you respond to the group that was ahead of you. You heard some of their presentation, I expect.

**Mr Ross:** A little bit.

**Mr Galt:** I want you to respond to the group that's coming after you, which is the Lambton Kent District School Board. It will probably have a similar message. I'm of the strong belief that if you want to present to any of the standing committees of the government, you should have to stay for half a day and listen to the other presentations as well. But I'd just like you to respond for a few minutes on the Interfaith Social Assistance Reform Coalition, how you would answer them when you're supporting our government, and then how you would answer the educators. You almost did earlier in your presentation.

**Mr Ross:** Yes.

**Mr Galt:** I'd love to hear your response. You get into this chair and you respond to them as a legislator.

**Mr Ross:** I'd like to preface my remarks for all of the committee so that they understand—you mentioned right-wing. I'm strong on fiscal prudence and paying our way, so I come across that way. I've also organized groups that have won environmental awards, and continue to be a tree planter. I am a past chair of the Boys and Girls Club. So I'm very careful about labelling people, because in certain areas you're impassioned about them; in other areas, you're equally impassioned, but they don't necessarily fit a particular historic mould.

The social groups you talk about, addressing them, I have met with many of them and I deal with them in that context. Quite frankly, they have a difficult time challenging what we put forward when we talk to them. There is never enough money to satisfy them. I can tell you that I knew some of the people here. It is correct, we do have these needs within our society. We have these children that I talk about. Our group at the Boys and Girls Club, if I can use that as an example—we have one of the best boards in London and most of them are small business people. Some of them are retired individuals. Some of them are young people. These people devote an inordinate amount of time to taking care of this social need.

We are developing programs that are precedent-setting in North America, like the computer program. There isn't a nickel of government money asked for that. We find ways to take volunteer time and create the financial wherewithal. We do not go to city councils seeking extra funding; we do not go to the provincial government. We take advantage of grants that are there. If you are prepared to appropriately go, put your case together, I don't care what social agency it is, you still have to do it on some kind of responsible basis, because the people you're appealing to hear these things constantly. They want to know what the value is. It doesn't matter whether it's a social value or an economic value, they want to know some accountability and some return. I can't see, for the life of me, what is wrong with that. There's only so many dollars to go around.

We're in a position in London right now where we are trying to collapse I would say at least half of the existing non-profit, non-charitable organizations. Why? Because many of them are created simply to employ individuals who are the sole employee of these organizations. They take away resources from the children and the social needs. We can take those, consolidate those, wipe out millions of dollars in administration. Your government could take \$25 million out of the system in social services because you've got a whole infrastructure there that simply passes money to organizations like ourselves and others and creates no value to the end user. We could give you millions of dollars and still you could cut your budget if you looked at a different model and did it more effectively. It's there.

We have given submissions to the government, to Mrs Cunningham, to anybody who would listen on this. She's a friend of mine. We are going hat and glove, like these people do, to get more money and always telling people, "If you give us money"—but we show them the value of what we can do. We take them, we show them the kids, we show them the accountability. Plus we can operate our overheads on less than 4% of our operations.

We ask any charity-giving body to examine that. We'd say, "We'll put it up against efficiencies and so forth," and they don't get this. They just think that this money is a non-accountable, endless thing. It always leads to overspending, underutilization, and you don't get the maximum. Consequently, we're always screaming because we have a shortage because we don't do it right in the first place.

**The Chair:** Thank you. The official opposition.

**Mr Kwinter:** I want to just say to Mr Vanpelt, I looked at your presentation and I have no serious problem with it. The reason I say that is that I'm sure all of our comments are going to be directed to your colleague, so I didn't want you to think that we were ignoring you.

I find your presentation interesting and repugnant—I really do. This is a committee and it is made up of non-partisan people. If you want to make your pitch, go to the Progressive Conservative convention and tell them what you've done for them. But to come here and say what a great job you've done for the Conservative Party and how you were working for them and you ran ads for them and you did all of those things and, as a result, you feel you should be listened to—and you have every right to be listened to as a citizen. But what I find repugnant, and this is something I've observed over the last several years the government has been in power, is that everybody else is a vested interest group, but you're not. You, of course, are on the side of the angels so you're not a vested interest group, but everybody else is.

You are a vested interest group. You are representing a particular segment of our society, and you have every right to be a vested interest group, but to categorize everybody else as if, "Well, they're a vested interest group"—I have a vested interest in what goes on. Every single individual in Ontario has some vested interest: they want to be able to survive, they want their children to survive, they want to be able to do all of these various things, so they have an interest. But to label them, "You're a vested interest group so, as a result, something is wrong with you," I really object to.

We've heard pitches that you've made. I don't know whether I've told you, but to this day, Bill Davis, whenever I meet him, if I'm ever on a platform with him, will always say, "Monte Kwinter is more conservative than anybody I ever had in my cabinet." I don't deny that. I am a fiscal conservative, but I also feel that I have a responsibility.

You now are taking the government to task because they've lost their moral compass or whatever it is that they've lost in the second term. You have to understand that under our system—which is not proportional govern-

ment; it's first past the post—you can form the government, as this government has, with about 40% of the vote. The minute you form the government, this is not a government of the Conservative Party, it is the government of the people of Ontario. There are 60% of the people who did not support this government—and that doesn't matter, that's the way our system works—but the government has a responsibility to deal with 100% of the people, not just the 40% who supported them, and that is the problem.

What is happening is that—and I give the government credit in many ways—they are addressing the concerns of those other 60%. You have to understand, they are all taxpayers. It's one thing to say, "How dare you ask for something when we, the 40%, are the ones who are creating all of the economic activity?" But that 60% are paying their taxes and they have every right to demand certain things from their government.

I hate to get on this harangue—

**The Chair:** You have 30 seconds, Mr Kwinter.

**Mr Kwinter:** —because it's not normally a thing that I do, but when I read this, I just get infuriated because it really doesn't go to the core of what we in government have to deal with. We can't just discount the concerns of some of the citizens of this province.

You're right when you say—and I used this quote the other day—"Whenever possible, Mike Harris would say, 'We don't have a revenue problem, it's a spending problem.'" Let me tell you, we are coming into an era where it is going to be a very serious revenue problem, because under our system there are fixed allocations that you can't tamper with. If you know anything about government, you'll know that. All you can do is nibble on the edges. You're the Treasurer of Ontario, and before you even start, you have commitments under contracts, under school boards, under hospitals and everything else, where that money is gone. Whether you like it or not it's gone, and you have a very narrow band that you can actually have some influence on.

1620

**The Chair:** With that, Mr Kwinter, we've gone over time and I have to go to Mr Christopherson.

**Mr Christopherson:** I won't try and top Monte in terms of expression of disagreement with much of—

**Mr O'Toole:** Monte's rant.

**Mr Christopherson:** Are you done?

**The Chair:** One conversation at a time, please. Mr Christopherson has the floor.

**Mr Christopherson:** Thank you, Chair.

I want to perhaps turn to Mr Vanpelt's document here. What I heard was the opening shot of a war that's going to have to be mounted to save and preserve the Rand formula. Perhaps you can either dispel me of that belief or confirm it, but that's what it sounded like to me. I want to tell you that any attempt by this government to fundamentally alter the Rand formula, and again if you know your labour history about how it came to be, the action and reaction we saw in society that the Rand formula solved would be matched or surpassed, espec-



ally since there's a great deal of fatigue, and I would say that in contrast to Mr Ross's opinion, to the Harris agenda. But I want to try to be fair and give you an opportunity to respond to that. Tell me I'm wrong; I'd love to hear that.

**Mr Vanpelt:** I'm not sure it's just a wrong-or-right issue. Let's imagine the Rand staying as it is and let's look at the construction provisions in the Labour Relations Act. There are a number of things not even dealing with the issue of the Rand that can fundamentally encourage union diversity and plurality. Your logic is going a little bit further than what is necessary to actually look at providing union diversity and creating an environment where there isn't a monopoly.

The Labour Relations Act, as you know, gives bargaining rights under its construction provisions to the building trades council, a group of unions, and right now I know the labourers have challenged that concept. Basically no other unions, including CAW or CEP or many of the other unions, can access that whole area of work. A good example where that has become a strong difficulty is in Sarnia. I know Dow Chemical had negotiated with CEP to work on an ICI project and the challenges they had to go through to make that happen, and in the end it didn't happen. So there are provisions within our own Labour Relations Act not even getting to that fundamental that you noted with the Rand formula that will create the kind of diversity that is necessary.

**Mr Christopherson:** What is this diversity and what's it necessary for? I'm not getting that picture.

**Mr Vanpelt:** Any ICI project right now in Sarnia of any size can only be done by the BTC, period, because they have a monopoly on that work, as you very well know. There are a lot more unions than the 17—

**Mr Christopherson:** Is it your hope that you would have a contract that has lower wages or benefits? Where's the business interest in this? Where are you losing in the equation that you're trying to get back other than, it seems to me, if you've got this internal competition, that you would have the ability to cherry-pick those collective agreements that cost you less, which is understandable, but certainly at a loss to those workers who currently don't have to face that?

**Mr Vanpelt:** I think what you have to do is look at both the interest of the employer and of the employee. There are many employees who want to access that work. What you do is you create better unions; you create fewer jurisdictional disputes. If, for example, we would reconsider how the Labour Relations Act is designed with its construction provisions, number one, on the monopoly side of it—and there are many unions that would support that notion. There might be 17 in Ontario that wouldn't, but the CAW would be first in line, the Steelworkers would be second in line and the CEP would be third in line. The suggestion that we're looking for a war, that's not at all the case from my analysis of it.

The other issue is with respect to craft-style unions. As you know, in the construction industry the BTC are all craft-style unions. That is becoming increasingly a chal-

lenge in terms of the operation of projects on-site, front-line-type operations, the ability to allow these different crafts to work together. Where, for example, a wall-to-wall-style union allows the kind of flexibility between labourers, pipefitters, electricians and that kind of thing, that's more natural to an environment where technology is becoming much more important, where productivity is becoming much more important and where you have less adversarial environments. You don't have to have all those jurisdictions—

**Mr Christopherson:** I'm sorry. At the end of the day it just sounds like union-busting, or at the very least gutting collective agreements, and that's my concern.

**The Chair:** With that, I have to bring it to an end. On behalf of the committee, I would like to thank you very much for your presentation this afternoon.

#### LAMBTON KENT DISTRICT SCHOOL BOARD

**The Chair:** Our next presentation is from the Lambton Kent District School Board. I would ask the presenter to come forward and state his name for the record. On behalf of the committee, welcome.

**Mr Jamie Armstrong:** Good afternoon, Chairperson and panel members. I'd like to thank you for giving me this opportunity to speak to you on behalf of the Lambton Kent District School Board. I would like to take a moment to start off with an introduction of my family's involvement in education, take a few moments to congratulate the government on some of its education reforms and then briefly outline a few shortfalls in the student-focused funding formula that need to be addressed, particularly dealing with energy costs.

My great-great-grandfather settled at lot 32, concession 6, Euphemia township in 1848. He is said to have been the first licensed school teacher in Kent county. He taught school in a one-room schoolhouse for over 30 years. My great-uncle Charles was the secretary-treasurer of the local schoolhouse for many years. My mother was a schoolteacher, my sister still is a schoolteacher and my father was the secretary-treasurer of the school board when Euphemia Central school was built in 1965. Now I am a newly elected trustee for the Lambton Kent District School Board. Vickie, my wife, and I have four children who are currently enrolled in the public school system, with another child who will begin shortly. It was when this school board chose to close Euphemia Central school that I felt I needed to get involved to ensure a sound learning environment was being provided to our children as well as to all children in the Lambton-Kent district.

Some of the education reforms this government has implemented have certainly improved the quality of education as well as helped to improve accountability. The standardization of curriculum has made it easier for parents and students alike to compare what they are being taught. The new report cards are easier to read. The school board amalgamations have greatly reduced administration costs, but whether it has gone far enough is

debatable. The code of conduct will help to keep our schools safe and help to give guidelines to all schools when it comes to discipline.

Today I am here to request a few changes to the student-focused funding formula. The student-focused funding formula is a great way to fund education as long as the board involved has increasing or stabilized enrolment. This year, with the unexpected huge increases in fuel and energy costs, boards with declining enrolment will be hard-pressed to make budgets work.

As you can see with graph 1, out of 71 school boards, there are seven that will receive more than a 1% decrease in funding dollars, while natural gas prices, fuel prices and transportation costs are all escalating out of anyone's control.

Table 1 depicts the funding that our board receives for transportation. As you can see, the dollars keep going down, yet the distance the buses are travelling remain relatively the same while the cost of fuel and maintenance keeps going up. Some form of stabilized funding needs to be introduced to recognize that buses generally have to travel the same distances even though they may be carrying fewer students due to declining enrolment. Another point to add to this is that in order to decrease excess pupil spaces, more busing is now being required on an already overextended transportation budget.

Table 2 depicts the price of natural gas in various areas of Lambton-Kent, and while some of the schools are locked into consortium pricing, some are not. Our business superintendent, Ron Andrechow, estimates our natural gas costs for heating purposes will increase \$500,000 this year.

Table 3 indicates the increased usage and pricing that has occurred at two of our larger schools this year. At LCCVI, that increased cost of gas is 46%.

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Other funding pressures are incurred because of declining enrolment. Declining enrolment presents many challenges that are not addressed by the new student funding formula. The board has many costs which do not decline at the same rate as enrolment: Internet line feed costs, transportation costs, telephone costs etc; increased snow removal costs as a result of the heavy snowfall this winter, including removal of snow from the roofs of schools.

Funding allocations for prep time currently do not reflect contract conditions.

Other funding pressures: the school renewal funding is insufficient to meet the needs of our board, with so many older schools. Growing boards have a much newer stock of school facilities and therefore have the advantage of providing their students with the best classroom environment and learning conditions.

To close, I would just like to comment that the education reforms for the most part are having a positive effect on education. After years of being unaccountable to their stakeholders, school boards are now being looked at a lot closer. Student and teacher testing will be giving parents evidence of what kind of education their board is

providing to their children. However, Rome was not built in a day, and the shortfalls in funding that are occurring in boards that are suffering from declining enrolment, coupled with escalating energy costs, is an area that needs to be addressed.

That concludes my presentation.

**The Chair:** Thank you. We have six minutes per caucus, and I'll start with the official opposition.

**Mr Hoy:** Thank you for your presentation this afternoon.

One comment I've received from teachers about the new report cards is that they feel there isn't enough flexibility in them to do justice to certain students; there isn't a wide enough range. But on standardizing report cards, I have no great opposition to it. I have no opposition to it, other than the comment that some teachers have made to me in that regard.

Much of your presentation has to do with fuel costs, whether it's in the school or on the road, busing. I have heard from hospitals that the same situation is occurring. We have a particularly cold winter as compared to some in recent years, and other industries are having the same problem; greenhouse, for example. I was talking to some people the other day. They're spending \$20,000 a day for their greenhouse operation. They're also having problems with a lack of sunshine, which can generate and maintain some of that heat during the daylight hours.

You have significant cost increases, to say the very least. How is your board coping with this now and how do you propose that the government help you immediately here?

**Mr Armstrong:** Student-focused funding is always done a year in advance, and unfortunately there's no way that even the government can predict that the energy costs are going to escalate the way that they have. I'm suggesting some sort of formula so that as the energy costs go up, so do the allocations for the energy funds. That's basically where I stand on that, I guess.

**Mr Hoy:** You would like to see that put in place at the beginning of the school year so that with any event that might have any utility go up, it would kick in somehow.

**Mr Armstrong:** Yes, like a particularly cold winter. This year was abnormal, the cold weather that we had, so the usage is up as well as a very significant increase in the price.

**Mr Hoy:** So that would have to deal also with the transportation side: if gasoline or diesel fuel increased, there would be something there, some mechanism that would help you out. In other words, the funding formula is not flexible enough now at all.

**Mr Armstrong:** Not dealing with a world market such as the energy market.

**Mr Hoy:** Or such a winter. I think most would agree it's colder here in southern Ontario than it has been in maybe two or three years.

I wanted to know what your approach would be. It's simply to work with the funding formula to put something in place that would address it if need be?

**Mr Armstrong:** Yes.



**Mr Christopherson:** Thank you very much for your presentation. Certainly your message is consistent with what we've heard in virtually every community across the province that we've been into.

I was struck when you said in your second paragraph, and I'm quoting from your document, "It is when this school board chose to close Euphemia Central school that I felt I needed to get involved to ensure a sound learning environment was being provided to our children as well as to all children in the Lambton Kent district." Were you politically active at all before?

**Mr Armstrong:** No. I guess one of the biggest things I'm seeing now that I am involved—

**Mr Christopherson:** That was going to be my question. You're jumping ahead of me, but that's exactly where I'm going. I wanted to get a sense, first of all, whether you had been involved. I got the impression that no, you were just sort of the average person going along, watched politics but weren't particularly engaged, and then saw this and it moved you to offer yourself up and that's how you ended up. Is that accurate?

**Mr Armstrong:** Yes.

**Mr Christopherson:** Then my question is exactly where you wanted to go and that is, how's the view now from the inside? I'm sure you had some preconceived ideas about the trustees, about the system, when you first started to get involved around the school closure, both good and bad, and now you're there, you're on the other side of it. What's that telling you? What's the personal experience telling you now that you've been on both sides in a fairly compressed period of time?

**Mr Armstrong:** What it's telling me is the fact that ever since the school boards were conceived in 1969, as long as the education of their children was going along unaffected, no one really cared. I think that's one of the biggest problems that faced education, the fact that school boards basically went along, raised taxes, did whatever they felt needed to be done and basically were unaccountable. I was the same way. I didn't bother reading up on it. The kids got on the bus to go to Euphemia Central School every day because you just took it for granted that Euphemia Central School was going to be there.

Student-focused funding came along and the school boards are still spending money in some ways that I don't agree with. There are some serious spending practices that go on in the larger urban centres. I just want to make myself clear: this is my opinion; this isn't the opinion of the Lambton Kent District School Board. Anyway, I still see that as a problem and I feel that the rural areas, especially, are starting to pay for the student-focused funding because, unfortunately, what happens is, when we get allocated the amount of money the government gives us, the school board has a tendency to divide that among the number of students that are there. That gives them a dollar figure. Anyone who thinks a rural child is educated for the same number of dollars as an urban child is only kidding themselves. It's always been more expensive to educate a rural child than an urban child because busing is involved in the smaller schools.

**Mr Christopherson:** I represent an urban area. Hamilton West is my riding. The other side of the coin is there are circumstances unique to the demographics in the large urban centres that are different in terms of ESL and there are more children with special needs because of the higher population. Whether it balances or not, I don't know, but certainly I wouldn't argue your point that there are unique costs to rural that don't apply to urban. I would just suggest that it plays both ways.

I'm curious, though; what sorts of things do you think boards are wasting money on in cities like mine that are causing communities like yours to lose? I don't quite understand that.

**Mr Armstrong:** I can only comment on the board that I'm from because I know some of the practices that they are doing currently and that they have done. Again, the opinions I'm expressing are my own. I'm only one trustee, so it is only my opinion. There are some high schools that have swimming pools in them, some that don't. There are some elementary and secondary schools that have air conditioning in them; some of them don't. One of my biggest concerns is dollars that are being spent on computers. I question whether we are actually getting our dollar's worth out of computers. We have a tendency to buy the top of the line computers when they are still rather new technology and 10 years down the road, those computers are worth absolutely nothing. There has to be a give and take in some of the areas that we're spending money on.

**Mr Christopherson:** Of course, the computer issue would be similar in an urban and a rural. That doesn't change.

**Mr Armstrong:** That's right.

1640

**Mr Christopherson:** Listen, we might disagree on some of the particulars of what you've said—and I say that not as an NDPer but as an individual MPP, to respond to you in kind—but certainly the whole concern that you have around the funding and the fact that student-focused funding, because of its definition and cuts elsewhere, is not serving and is putting added pressure on you as one of the custodians of the education system here in this area is one that I think you and I share. I look forward to your dialogue with the government, and they're next.

**Mr O'Toole:** Thank you very much, Mr Armstrong, for making your views known to the committee and also for the longevity of service to the community—not politics, but really respecting your grandfather and the tradition, not just to the township but to the specific school. I commend you for standing up. Also, that's going to be the difficulty, that you don't become co-opted. I was a trustee for a couple of terms, as was Tina. A lot of people here served in other roles than this. You will get co-opted because you don't have the PhD or the legitimacy. It's just a humble kind of view of the world, "Computers aren't important," and the way you describe it will be twisted so that you will look like you aren't qualified to speak.

**Mr Armstrong:** It's not that I don't believe computers are important, but that—

**Mr O'Toole:** I didn't say that, but I may share—

*Interjection.*

**Mr O'Toole:** No, what I said was that you will be dismissed, generally.

I want to concentrate on a couple of things that aren't particularly unresponsive to the points you raised. Certainly on the student transportation, as you know, there is a subcommittee dealing with transportation. It's a very important issue, especially in rural boards. A lot of my riding of Durham is rural as well. I have small schools. We've got issues on declining enrolments in some areas; it's too far away from where the spaces are. So we're quite aware. The Chairman, Mr Beaubien, is a strong supporter—and I'm not speaking on behalf of him except I'm repeating what I've heard him say on the issue of declining enrolment. Boards have serious challenges. There may need to be flexibility within that funding model, specifically on the capital side. I'd be quite supportive of that.

We have also contributed, I believe, one-time spot funding—I think it's \$200 million—to transportation, allocated based on some usage and routes data. So we are looking. We're quite aware, as you are, that all of the pressures and the inflation across our economy couldn't be attributed to the fuel issue.

I just want to make sure that we get on the record that the stability of funding formula addresses a perennial problem. In my area, the board I was with, the Durham Board of Education secondary panel was and probably still is excellent. I'm not a teacher, so I'm not qualified, but my wife is and my daughter is a high school teacher so I do hear about it a lot. Quite a lot, actually. But they were recognized as the best board in the world—the Bertelsmann award. I knew many of the people. Pauline Lang was the director of education. In fact, our government picked her. She was the head of the curriculum review; she was the curriculum leader. And the math curriculum was developed by a teacher who is in a little high school just north of where I live. I know them very well. Excellent people. It was also one of the lowest-funded boards in the province.

This inequity of some boards getting \$8,000 per student and some getting—it was all based on assessment wealth. The Royal Commission on Learning and the Fair Tax Commission both said that the province should fund education. Big problem: they couldn't use the ratchet effect in negotiations. I firmly believe that over time it will be a public education system, not a Cadillac and not a dilapidated Volkswagen. It will be very appropriate. I think we're going to hear that. There has been no money cut—no money cut—from education. I have the numbers. These are the public accounts audited. The next presenter is going to say there was \$1 billion taken out. That's an absolute—you're not supposed to use this word—lie. It's propaganda. There's the numbers.

**The Chair:** I don't think that's appropriate.

**Mr O'Toole:** It's inappropriate, so I'll withdraw it. But I would say it's not accurate.

**Mrs Molinari:** It's inaccurate.

**Mr O'Toole:** It's inaccurate. I'd like you to stay and listen to it, because I've heard it until I'm sick of hearing it.

In conclusion, we must have quality, accessible and accountable education in all parts of Ontario. I'll be supportive of that, and I can't speak for my peers, except that is the goal of Janet Ecker. I commend you as a new trustee to stay focused, not on my agenda but on your own. I've read and listened to your report. I commend you. I encourage you to speak up positively to the board and challenge them so that every single dollar possible goes to that classroom and that student and that teacher. Everything else, whether it's buses or shovelling snow off the roof, question it.

**The Chair:** Any other comments?

**Mr Armstrong:** Well, I guess I have to agree with everything you were telling me. It's just that there are still some problems. No one is perfect, and there are a few problems with student-focused funding.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon. It's always nice to see you, Jamie.

Our next presenter is not here, but the last presenters are in the audience. If it's OK with the committee—

*Interjection.*

**The Chair:** Only one? OK. It looks like we're going to have to take a recess until that person arrives or the next presenter arrives. We'll recess for a few minutes.

*The committee recessed from 1647 to 1706.*

**The Chair:** If I can get your attention, I'd like to reconvene. Our presenter has arrived.

#### ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION, DISTRICT 10

**The Chair:** Could you please come forward and state your name for the record. On behalf of the committee, welcome. You'll have till 5:30.

**Ms Jane Hulme:** I apologize for being late. I'm Jane Hulme, president of the Ontario Secondary School Teachers' Federation, district 10.

I've prepared a document for you to outline some of the concerns we have, and I'll take a few minutes to go over some of the things.

Certainly in our area, in Lambton Kent District School Board, school closure is a huge, huge issue. Last year our district school board closed seven schools, and this year 10 are on the docket to be looked at. That's causing a lot of difficulties in our community, and I believe the reason behind the problems is the fact that the funding formula that generates the pupil spaces is flawed and doesn't allow very much flexibility for some special considerations.

As I'm sure you're aware, in the Lambton Kent District School Board we have a number of schools that are very small—they're in rural communities. Also there are some children who have some specific special needs, and we have attempted to address those special needs



with some special types of schools. For example, Alexander Mackenzie Secondary School in Sarnia has a reputation for having a lot of success with special-needs students, as does John McGregor Secondary School in Chatham. They have some very specialized programs for students with special needs.

The other item is the remote and rural grant being very restrictive and the fact that we don't actually qualify for a remote and rural grant, despite the fact that our schools are very spread out from one another and that would make busing absolutely impossible and not very conducive to good education.

If I can take you to the bottom of the first page, about Alexander Mackenzie Secondary School, the pupil allocation formula determines that Alexander Mackenzie school has about 800 spaces. However, it appears to be bulging at the seams at 458 students. One of the reasons for this is that we have a number of IPRC students. In fact, at Alexander Mackenzie school you have to be IPRC in order to attend that school. There are some very specialized programs. There are kids who need medical equipment such as walkers and wheelchairs; they have some very high special needs. The hallways are very wide, and the classrooms are very big. Because of the nature of the programs—for example, they have a horticulture program—and the fact they need a lot of space in the classrooms to facilitate mobility and to store the things they're using in the horticulture area, that doesn't leave a lot of room for student seating. Therefore the classes are a lot smaller. But those are the types of programs that put our kids back into the workforce, that give them the skills that take them into the workforce and lead to a very profitable future.

The other issue is certainly that the distance between schools is very great—there's a chart I've provided for you. You can see the number of students who are in the schools. At Alexander Mackenzie there are 458 students; at Blenheim, 670; at Tilbury, for example, there are only 334 students. But the distances between those areas are very great. I've provided a map for you on the third page. It highlights the locations of the schools. To close any one of those schools would make it extremely difficult on busing—it would provide a lot of transportation problems—and really wouldn't facilitate a good educational experience for the kids. That puts us in financial straits because we've got too many pupil spaces. I believe that by adjusting the pupil allocation grant, basically, we could adjust and meet the needs of the Lambton Kent District School Board.

In part B we talk about funding for extracurricular activities. I know that's a hotbed right now, but behind the newspaper headlines is a more serious and chronic problem, and that is underfunding. At just one of our schools in the district, LCCVI in Petrolia, an average of \$310,000 has been spent on extracurricular activities in the last four years. On an annual basis, the board has contributed about \$15,000—less than 5%. The balance of the funding for these activities is acquired by fundraising, particularly bingo—another hot topic in our area—and

from user fees that are imposed on students. It doesn't provide enough money to adequately operate the programs, and certainly the issue of transportation also comes into play.

The imposed increased workload legislation has created difficulties for teachers, who feel they may not have the time to run as many extracurricular activities because of their added responsibilities. For those who do have the time, there are no funds set aside to hire an occasional teacher to replace the teacher who is involved in an extracurricular activity that takes places during school time.

The quick-fix solution to that is not to have extracurricular activities that take place during the day. But that's simply not feasible in an area such as ours, which is so diverse in terms of geography. I use the example of North Lambton Secondary School, in Forest, playing Tilbury in a basketball game. It would take them at least two hours to travel from one location to the next, and that's on a good day. That's how long it takes me to travel in a car, so it may take a little longer, factoring in bus travel. The basketball game, including change time etc, would take approximately two hours, and then coming back would be another two hours, more or less. That would be approximately six hours in travel time.

It would leave very little time for students or teachers who are involved in extracurricular activities to study or prepare homework or lessons for the next day. For that reason, a lot of travel has to occur during the day. But there aren't any funds to run the buses during the day, and so one of the things that happens is that we're selling chocolate bars, doing fundraising to try to cover the cost of an occasional teacher or the cost of busing.

In part C I talk about workload and staffing. Teacher workload and pupil contacts have increased dramatically with the advent of Bill 74. While the government promised that the school boards would have a maximum average high school class of 21 students, a lot of parents actually believed the maximum class size was 21. That's not the case. In fact, in the Lambton Kent District School Board, where there are a number of rural schools which are traditionally smaller, the format disproportionately affects students in the urban areas. Because the smaller schools generally have smaller classes, these force the other schools to increase their class sizes so that the funded average is met across the school board. At the same time, funding is cut in areas such as guidance and library.

For example, despite the fact we have 14 secondary schools, there is only enough funding in the funding formula to support 12 teacher-librarians. Schools such as Alexander Mackenzie, or John McGregor Secondary School in Chatham, which I've discussed, have highly specialized programs for students with special needs and they affect the average class size in other schools. The very nature of the programs forces the average class sizes in other schools upward. It's not unusual to have class sizes of 32 or greater in order to support the programs. This is not new. That has happened in the past, but not to

the level that it's happening now, and these are the constraints we're working under right now.

Bill 74 was designed to reduce the number of secondary school teachers by increasing their workload. In fact, the number of secondary school teachers in my district has decreased dramatically since amalgamation. In 1998, there were 753 full-time teachers; in the year 2000-01, 663. Part of this decline is due in fact to reduced enrolment, but more significantly it's due to the increase in workload.

The teachers have contact with more students, not more contact with students. Students have less individual time with the teacher. In fact, many teachers are jumping at the opportunity to leave the profession. I've received 40 letters of retirement from teachers, of the current 663. Many of them are not retiring because they've reached the end of their career; they're retiring from teaching in Ontario. Many are moving to the United States. Baker College in the United States seems to be getting a lot of our teachers. They've decided that their working conditions have made it impossible for them to continue doing what they feel is best in the classroom and they are moving onward and taking other jobs.

Now, this may not really seem significant. We have a teacher shortage looming in the future. The loss of these 40 teachers actually has a lot of impact on next year's funding also. I'm not sure if you're aware there's something called the teacher compensation grant in the funding formula. It actually claws back funding from school boards where teachers are placed at the bottom of the experience and qualification grades. This clawback is approximately \$15,000. If the Lambton Kent District School Board replaces these 40 retiring teachers who are going in June with 40 newer teachers, the net result is about \$600,000 less revenue than they would have been receiving before. So they're not benefiting from what we used to call rollover savings resulting from hiring less experienced teachers. The rollover savings used to be directed toward the school board so they could hire more teachers at a reduced cost, and certainly now they don't have those savings.

The last page is a list of some recommendations that we're suggesting:

The remote and rural grant should be less restrictive and the pupil accommodation grant should recognize the diversity of schools. In that, I mean schools like Alexander Mackenzie Secondary School or John McGregor Secondary School.

Local district school boards should have the ability to tax at some level to raise funds for education through taxation. That may be simply that if the community decides they want a specific program in place, they should be able to decide and be able to raise the funds to do so.

The provincial government should allocate funds for busing and equipment for extracurricular activities. That currently is not the case.

The government should immediately move to restore working conditions for Ontario secondary school

teachers by investing in additional teachers to remedy the excessive workload.

District school boards also should benefit from the rollover savings resulting from hiring more inexperienced or beginning teachers.

I would be happy to answer any questions you had.

**The Chair:** I'm going to ask each caucus's co-operation here, because we're short on time, but I'm going to allow two minutes per caucus. I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. You mentioned the number of teachers you've lost, who have left. You said some of them were because of declining enrolment. Do you have a percentage on that?

**Ms Hulme:** I know that for next year, we're anticipating a loss of about 200 students. A lot of that occurs during a normal teaching year; it has ups and downs. But we're losing about 200 students.

1720

**Mr Christopherson:** And that would normally mean how many teachers?

**Ms Hulme:** About every 15 to 20 students count as a teacher.

**Mr Christopherson:** So you've still got the vast majority of them leaving?

**Ms Hulme:** Yes.

**Mr Christopherson:** Are they not being replaced? I'm trying to—

**Ms Hulme:** They are being replaced. They're definitely being replaced, or some of them will be replaced. Not all 40 will be replaced because of the declining enrolment. But the idea of it is that the clawback situation is really affecting the school boards. They're actually being penalized for hiring younger, more inexperienced teachers. They're at the bottom of the grid.

**Mrs Molinari:** Thank you very much for your presentation. There are a couple of points, and then I have a question. It's interesting to hear mentioned sometimes that teachers are leaving the career and going to the US. Teachers leaving is talked about quite often. In my past experience, having been the chair of a school board, one of the criticisms the teachers had of this government was that it was in some way Americanizing Ontario and being too much like the US. So when I hear that teachers are leaving Ontario to go to the US, I'm trying to understand the bigger picture.

The other comment has to do with taxation. You recommend that there should be some taxation ability for school boards. Part of the problem with funding and taxation was the disparity between boards that were rich in assessment versus boards that were poor in assessment. Across the province there were inequities by virtue of the population. It was unfair for students living in an assessment-rich board to be getting a lot more than those living in an assessment-poor board.

The other difficulty was that when they had the ability to do that, undue influence was put on the boards and the trustees whenever contract negotiations were taking place. There was more pressure put on them by all the



employee groups to go for wage enhancements, better working conditions and a number of things. Boards felt they were put against the wall and had to keep increasing taxes in order to provide for some of the contracts they were agreeing to.

**The Chair:** You have 30 seconds to wrap up.

**Mrs Molinari:** Just a question, then. Do you know where your board was with respect to the taxation disparity in reference to either the coterminous board in the same area or with surrounding boards as far as the taxation level in your board?

**Ms Hulme:** It would be difficult for me to comment on that because of amalgamation. I'm from the former Lambton board. We amalgamated with the former Kent board, and that would skew all the numbers. I hesitate to speculate on that.

**Mr Hoy:** Thank you for your presentation this afternoon. I appreciate the five points, the recommendations you make on your last page.

I couldn't agree with you more that the remote and rural grants should be less restrictive. I've met with parents who have talked about deer running through the yard of the school and they don't qualify for the rural, the remote or a combination of both rural and remote grants. It would seem to me that if anything was rural or remote it would be having deer running through the backyard. That would be a pretty good example of what's happening. Yes, there should be more flexibility in that. Ontario has wide expanses of both rural and remote areas, and we have a lot of fine urban situations that have to be dealt with as well. But I very much agree with that.

Currently in the conversation about elementary school closings, parents are afraid that their student is going to move to another rural school and two years later it will be closed. That could happen with high schools, by the way.

I appreciate your presentation. Your observation on busing is well taken. If the board is to get this rollover saving, I expect that someone is going to suggest, "Where would that money go?" If it's not for teachers' salaries, where would it best be placed? You have above that a list of four areas we could talk about, and maybe it could be shared equally.

**The Chair:** On behalf of the committee, thank you very much for your presentation. I'm sorry we had to rush you.

**Ms Hulme:** I apologize for being late. There was some activity outside.

#### ASSOCIATION OF COLLEGES OF APPLIED ARTS AND TECHNOLOGY OF ONTARIO

**The Chair:** Our last presentation this afternoon is from the Association of Colleges of Applied Arts and Technology of Ontario. I ask the presenters to come forward and state their names for the record. On behalf of the committee, welcome.

**Ms Susan Bloomfield:** My name is Susan Bloomfield. I'm chair of ACAATO, the association of colleges.

I represent 25 board chairs and 25 presidents for the province. So rather than a local perspective, Dr Rundle and I are going to be giving you a province-wide perspective of the needs of the college system. With me is Dr Howard Rundle. He's president of Fanshawe and chair of the council of presidents for ACAATO.

I've been involved in the college system for six years. Up north, in Sudbury, I was chair of the board there for two and a half years and a member of their board for six. I have since moved down to a beautiful little village called New Dundee, in the Kitchener-Waterloo area, and I'm thrilled to be down in southern Ontario with you.

I'd like to talk for just a few minutes about the situation we're in and what we need you to do. In the last 10 years our funding has been cut by 40% and the enrolment has gone up 35%. That is a huge statement to make, and when you grasp it in terms of 25 colleges and the whole region in Ontario, you realize we are at a point where the situation has to change in terms of our funding formula, which you'll see on page 2 of the information I provided for you—the recommendations that we need—and it needs to be done right now. We have a very good working relationship with the current government. They have been very embracing in terms of forming committees and working with us in terms of changing that funding formula and being quite sensitive to the needs of where the college system is right now in terms of immediate assistance. So I direct you to that, and Howard will address that specifically for you.

We are committed to serving the province, to getting our students through to get into the workforce and be contributing members of society. This is our goal. We are totally student-focused. But for the government to come through on their promises to these students, we really do need to take a clear look at what has to be done. I realize today has been difficult for you, because everybody has been picking and pulling and making demands on you. I won't say we're different, but we do arrive today with very clear solutions to the problem and a very honest assessment.

KPMG did an assessment for us over the course of the last year, and they clearly stated that if we stay in the mode we're in, we will be not only in deficit, but we will be in a position within 10 years of having a debt of \$538 million. Every college in the province, all 25, will be in a deficit position by April 1. That's how serious this is. I really would appreciate your full attention to the document and to the solutions. Dr Rundle will work us through that right now. We would appreciate most of our time spent on answering your questions.

**Dr Howard Rundle:** I'm not going to go through the document in detail; I'd rather respond to questions. But I'd like to highlight a couple of things.

Susan mentioned that you've been pulled, I'm sure, today by a number of groups, everybody asking for more money. I guess the situation in the colleges is that our prime purpose is training and retraining people for the workforce. When that happens successfully, there's a payback on the investment. When it doesn't happen, then

the money gets spent in other ways, whether it's through the welfare rolls or through correctional institutions or whatever. So investment in colleges is not money down the drain.

1730

Why has the situation become critical this year? One of the presenting issues was the government's decision a year ago to, in effect, freeze tuition fees, a decision that I'm quite in agreement with. Tuition fees are now limited to an increase of 2% per year for the next five years. In the last five years, colleges have survived because of the government's decision to shift a greater portion of the bearing of the costs to the student. Again, I'm not particularly opposed to that decision. The students benefit economically from attending colleges. But it has been that significant increase in tuition fees over the last five years that has allowed us to carry on economically and now that lever is gone.

So we're trusting that the decision to limit tuition fee increases to 2% was also a decision by government itself therefore to pick up the increased cost from inflation alone, if nothing else. Otherwise, what is the decision? Is it to lower the quality of education and training that leads to jobs, or is it to reduce the volume of training at the very time we're poised in front of the double cohort and the baby boom echo when demand is going to go up? I can't believe it's public policy to reduce either the quality or the quantity of college education that has the kind of payback we're talking about.

In the paper, we offer sort of a menu of ways that this could be addressed, appreciating that the province may be facing a bit of an economic slowdown. Not every single financial measure proposed in this paper is necessary. It is a menu. If some of them are chosen, those that fit government policy better perhaps, that would be fine. But unless something along these lines is done—my colleagues described it yesterday when we had our annual conference as “hitting the wall” this year, now that there are not going to be significant tuition fee increases.

That's the dilemma we face. It's quite significant and I certainly hope there will be a response to it. I'm going to stop there and we'd be pleased to answer questions.

**The Chair:** We have approximately five minutes per caucus and I'll start with the government side.

**Mrs Molinari:** I'll begin and then my colleagues may also want to make some comments.

Thank you very much for your presentation. I will review it and read it more clearly in the next little while. Just a couple of questions on your feelings on the key performance indicators that have recently been introduced.

You've indicated here that this is a menu and these are all ideas and in an ideal world, I suppose, doing all of these things would definitely assist and this is what you would want. But you did indicate that it's a menu, so if you could talk also about what the priorities are and which of these you feel is most essential and which would be nice and which would be, “Wow, that would be great.”

**Dr Rundle:** OK, I would be glad to do that. On page 2, the first priority clearly would be some increase in the basic operating grant that would match inflation—and not looking for a huge number there. The number that I've been throwing around is about 3%. Inflation is running at about 3%. That would be a minimum. Probably inflation in the college system right now is a bit ahead of ordinary inflation. We're heavy on energy costs and equipment costs and they're going up rather dramatically.

**Mrs Molinari:** Do you have a dollar figure?

**Dr Rundle:** Three per cent of the operating grant; the operating grant is about \$600-plus million, so 3% of that. That would be the number one priority.

I think probably the number two priority would be the KPI issue. We're quite supportive of that approach to funding. It's an approach that is encouraging performance and not simply funding based on volume, so it provides incentive to institutions to perform.

The important component there is that the KPI money should be additional money, otherwise the system becomes predatory. If the KPI money comes from us stealing it away from Conestoga or vice versa, then that has as much negative impact as positive. That's the way it was introduced last year: 2% of funding for KPI was additional funding on top of the operating grant and that's an excellent way to do it. If the government wishes to increase that funding to 4%, for example, and increase the incentive, great, if that were additional money; not great if it's simply scooped away.

The third priority would be either renewal—we've had a fair bit of deferred maintenance with the kind of cut-backs in the operating grant that Susan mentioned, which have been quite significant and have not been restored. If we compare, we look rather enviously at the health sector now, where virtually all of their cuts have been restored and then some. These reductions have never been restored so it's natural in that situation that institutions reduce the expendable things, things that you can live for a while without, such as maintenance of facilities and deferring acquiring new equipment. With the computer age and what's happening there now and the necessity to keep up on that, that would be the next priority, either or both of those.

The other things on the list, I would say, are the lower priority. So the first two I mentioned I would think are of extremely high priority; the next two, it would be really good if those could be done; the last ones, I don't know if I would go so far as, “Wow”—

**Ms Bloomfield:** They're needed.

**Dr Rundle:** They're needed but could be left to another time.

**The Chair:** You have about a minute and 30 seconds.

**Mr O'Toole:** Just on the facilities renewal, you will know that SuperBuild is almost \$2 billion when you make the private partner connection and that's creating space. Obviously with that there will have to be operating dollars. That's a current debate somewhere. Tina is the PA to that ministry so she probably knows more about it, but it's a raging debate.



I think some of the issues you've brought here in concise form are important priority advice. This is what Tina was asking for. How you tie it to outcomes and accountability is really a priority with the government. I think your advice and attention to that would be good for us, because the tradition of throwing money at it without the accountability—the ATOP grant is a perfect example of specifically targeting funding, both capital and operating, to make sure we have the latest—but we appreciate your input today.

Just out of respect, Durham College, Gary Polonsky, is in my riding, a great college. He's a wonderful builder of community and education. So we do listen and we certainly know that that's the kind of infrastructure we need to be a successful, caring society.

**Dr Rundle:** I can say that the ATOP has been an excellent program and it absolutely is producing results. In the London area, Fanshawe College increased its IT output by the second-highest in the province of Ontario. It tripled the production of those types of employees.

**Mr Kwinter:** Thank you very much for your presentation. I am a real fan of colleges of applied arts and technology. I think you do a wonderful job.

Over the course of these hearings, we keep hearing from groups that are not in the new economy, they are still in the old economy, and they complain about the fact that their apprenticeship programs aren't working. They are not getting the interest and the students to come into their particular trades, whether it be carpenters or plumbers or bricklayers, because there seems to be a lack of, if I can put it this way, prestige in going into these particular trades, yet they are absolutely critical. This is something where students, if they choose to do this, have a wonderful future, where they can get an income that others would envy and they didn't seem to know quite how to address this problem. I'm just wondering whether you, Dr Rundle, can address that.

1740

**Dr Rundle:** It's a very real problem, compounded in fact because most of those trades women don't consider appropriate. So you're dealing with half the population, and they can perform quite well in most of those trades—a very real challenge, and we need to be constantly addressing it.

There's one thing we're trying here in London right now that's something new. We had a very generous donation from the London Free Press in the form of free advertising, \$100,000 worth of free advertising, so we're not talking about a little bit. We've devoted that entirely to that problem. In fact, I commend the Saturday issue to you. There's a half-page ad that is promoting the trades training and pointing out to young people that there are good incomes there if they would consider those professions. Whether this will work, we'll see, but there's a societal thing in North America, unfortunately, that doesn't exist in Europe and it's the prestige of people working in those professions. But if they saw the kind of money they can earn there compared to some of the other more prestigious things, like IT—I mean, it's good

money there too, but you can do just as well—better—as a diesel mechanic in London right now than as an IT graduate.

**Ms Bloomfield:** Or tool and die.

**Dr Rundle:** Or tool and die.

**Ms Bloomfield:** Tool and die makers make \$60,000 to \$70,000 a year, easily.

I think we have to keep in mind that the community colleges are the widest spectrum for post-secondary education. You have people who are immigrants coming in learning a second language, you have people who come in and have grade 3 or grade 4 education; they start with upgrading and they go through the system. We provide the best and most meticulous smorgasbord for people to be educated lifelong.

Definitely we have demonstrated over the adjustments of the last 10 years that we've been able to be fiscally responsible, tuned in to what each community needs, able to adapt to whatever change comes along and do it quickly. One of our strengths is our ability to respond quickly to whatever the needs are in the environment.

We are at a point now, though, where we can't make miracles. We have to have basic changes in the funding structure and we have to have those envelopes this year to meet the needs and the commitment of this government. I look to you to extend that direction and support it because the colleges are the community; we truly are. We can't maintain that and devote the kind of expertise we have given over the last 35 years without your knowledge and support.

**Mr Christopherson:** Thank you both for your presentation. I'm the proud representative of Mohawk College, Catherine Rellinger's territory.

**Ms Bloomfield:** Congratulations.

**Mr Christopherson:** I knew Keith McIntyre really well; I'm a big fan of Keith's and the work he had done. It was shocking to hear you say that by April 1 all the colleges are going to be in deficit. I would just point out to you that a lot of people came in with the mindset, especially in the opening days, that this was all about struggling for \$1 billion. First of all it's been much more than that and should be. Regardless of who's in power, it should be a discussion about starting with a blank slate. Second, it's pretty optimistic now to think there's still going to be \$1 billion available, and for the next couple of years, because there's the lag in the transfer payments from the feds and they're going to be lower than they've historically been. So it's going to be impacting on at least two budgets and things are going to be tougher.

Having said that, you've got friends in high places. We know this government is very selective about whom they listen to, and we know they like the banks, particularly the TD, given certain pieces of labour legislation that helped them. But Mr Drummond came in. He's the senior vice-president and chief economist for their financial group, and he went out of his way to show two different charts that showed the decline in support—to be fair, both the national funding as well as Ontario—doing a comparator and making the case obviously in the

context of a business presentation that funding post-secondary education is key, absolutely key.

When I look at the charts you have, it's pretty clear to see that once the real GDP starts to drop—and it's going to—then there's every reason to believe you're going to see a peak. That will be in addition to the population growth, as well as those who realize that the only real opportunity for them to make decent dollars is to get as high an education as they can.

Having said all of that—and I've asked this before, but it's good to get it from the umbrella organization—if the funding isn't there and you're not able to meet the needs of the double cohort that's coming through and the population increase and also, of course, that inverse reaction to the economy, what happens to all those students, and some of them are adult students—

**Ms Bloomfield:** A lot of them are.

**Mr Christopherson:** Most of them, probably.

**Ms Bloomfield:** The average age is 26 years, for the average student.

**Mr Christopherson:** So we have a lot of adults who want to go into the colleges—and the universities, but in this case the colleges. If you don't have the funding, what happens?

**Ms Bloomfield:** We cut programs, we cut staff and we lose community.

**Mr Christopherson:** And these folks just get turned away.

**Dr Rundle:** The only other choice is reducing quality. I know our own board has decided that is an unacceptable—

**Ms Bloomfield:** That's not acceptable.

**Mr Christopherson:** That's the kiss of death.

**Dr Rundle:** Exactly. They would rather not meet the demand than meet the demand but lower the quality of training.

**Mr Christopherson:** I suspect what we may be looking at—it's probably not going to be overly helpful—is there will probably be some money, but not nearly enough, and you're going to be left with this dilemma. What I worry about when you're in a situation like that, as I understand the post-secondary education system—and I'm no expert by any stretch—my sense of it is that what starts to give then is that there's enough money to take the student in, but it's the quality issue that starts to give. They're not going to put up with the politics of seeing thousands of people turned away in all of our communities, I would think, but if they haven't given you enough money to adequately meet the need, then what happens is, yes, the students get in the door, the headlines are avoided, but the quality inside starts to go.

**Ms Bloomfield:** I want to direct you to two things. We see a million students per year, and I want you to see that in 1990 each student had funding from the government of \$5,775. Today we are down to \$3,472. The

colleges have been able to maintain quality and access for 10 years with more than a third less dollar value in an increasing inflationary market. We have the ability to deliver. We've done the best we can for as long as we can and we've hit the wall.

**Mr Christopherson:** Are those constant dollars? Are they constant dollars or actuals?

**Dr Rundle:** I don't think so, no. They're probably actuals.

**Mr Christopherson:** Really? That's even worse. That paints an even—

**Ms Bloomfield:** I think what it says is we're great; we're extraordinary. We have done an amazing job to continue the quality. But we are not magicians. We can't do any more in this situation without a change in the funding structure, and that can solve a lot of the problems. I don't think it needs to get to crisis. I don't.

**Mr Christopherson:** Do you see the possibility of privatizing more of the college services on the horizon? Is that a concern?

**Dr Rundle:** We don't support that.

**Mr Christopherson:** I know, but is it something that you can see—we know it's happening with the universities. The legislation's there.

**Ms Bloomfield:** I hope not. That's going to be very expensive for students if it's privatized.

**Dr Rundle:** We tend to serve students that are not in as high an economic bracket as those who go to universities.

**Mr Christopherson:** Absolutely. That's why I worry about it. I want to find out whether you see that as a possibility, because often they use, manufactured or otherwise, a crisis to say, "We've got to do something," and the something, of course, is worse. But they argue, "We did something, and we're the only ones with the guts," and all that nonsense.

**Dr Rundle:** It's more costly for students to access private training—and it's available. Look up the street here from this building. It's more expensive. If the college option isn't there, I don't think those students will have a post-secondary option.

**The Chair:** With that, I have to bring it to an end. On behalf of the committee, thank you.

**Ms Bloomfield:** That was a fast half-hour.

**The Chair:** Well, we still have to travel. On behalf of the committee, thank you very much for your presentation this afternoon.

Before we adjourn, I have a small announcement. Tomorrow morning, we will be meeting in committee room number 1.

**Mr Christopherson:** Why is that?

**The Chair:** Because 151 is being used by the justice committee, I think, tomorrow morning. So we'll adjourn until 10 o'clock tomorrow morning.

*The committee adjourned at 1750.*











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## Legislative Assembly of Ontario

First Session, 37<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Première session, 37<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 21 February 2001

# Journal des débats (Hansard)

Mercredi 21 février 2001

**Standing committee on  
finance and economic affairs**

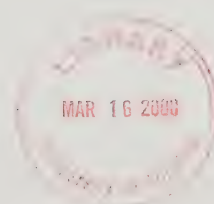
Pre-budget consultations

**Comité permanent des finances  
et des affaires économiques**

Consultations prébudgétaires

Chair: Marcel Beaubien  
Clerk: Susan Sourial

Président : Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Wednesday 21 February 2001

Mercredi 21 février 2001

*The committee met at 1004 in committee room 1.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning. It is after 10 o'clock and we're only cutting the presenters' time, so I'd like to bring the meeting to order.

ONTARIO ALTERNATIVE  
BUDGET WORKING GROUP

**The Chair:** Our first presentation this morning is from the United Steelworkers. Could you please state your name for the record. On behalf of the committee, welcome. You have an hour for your presentation this morning.

**Mr Hugh Mackenzie:** My names is Hugh Mackenzie. I'm actually not appearing on behalf of the United Steelworkers; I'm appearing as the co-chair of the Ontario Alternative Budget Working Group. I'm not speaking for the Steelworkers in this regard. I think I get here as a result of having been on somebody's list as an expert presenter, not representing the unions—just to clarify that.

You've got a lengthy piece of paper in front of you. I'm not going to read through the whole thing. It provides some additional background to what I'm going to say this morning. I do have a couple of slides that I'm going to put up too, but all the information that's on the slides is on the piece of paper in front of you, so I don't have another set of pieces of paper to give you.

My main point this morning is that Ontario's fiscal situation could be described as heading into a very tightly constrained box as we move into fiscal year 2001-02. Essentially what I'm saying is that, unlike perhaps in other years, Ontario is facing a squeeze in its fiscal options. I'm going to go through each of them in a bit more detail as we get into the presentation, but I just want to summarize them to begin with.

The first is that the government is facing enormous pressures on the expenditure side. The quick and dirty way of describing it is that many of the chickens from the previous five or six years of significant expenditure restraints are coming home to roost, whether it's in the education sector, in capital spending on infrastructure or the fact there is now incredible pressure in the housing sector because of the cancellation of non-profit housing programs and the failure of the private rental market to

provide any low-cost housing—a whole series of fiscal pressures on the expenditure side.

On the tax side, we actually have quite a significant legacy of tax cuts that have not yet had their full impact on the budget. I'll go into more detail on those, but they basically fall into three categories. There are cuts that were initially implemented in the year 2000 budget that only had a partial year impact in 2000-01 and will have their full year impact in 2001-02. Secondly, there are tax cuts for which there is already a firm schedule set out; for example, the small business tax cut. Then there is another set of tax cuts for which the commitments are quite definite but the timing is a little more vague. Those are, for example, the reduction of education taxes on property, phased in over a number of years; the reduction in corporate income taxes; the reduction in the small business tax rate; and a couple of other smaller ones.

The third side of the box the government finds itself in—I guess that's the best way to describe it—is that over the last several years the government has lived from quarter to quarter and from year to year in producing these nice, smooth-looking downward trends in their deficit numbers, on a fairly significant degree of manipulation of the government's finances and the accounts. The Provincial Auditor put the government on notice last fall that he wasn't going to tolerate it any more. So I think the government's ability to tailor its accounts to its fiscal situation is becoming much more limited, thanks to the Provincial Auditor's view.

But the most important squeeze is the squeeze on the rate of growth in the economy, and that will form the core of the presentation I'm going to make.

Let's talk in a bit more detail about the nature of the fiscal box the government finds itself in. First of all, in the area of unmet needs, we've had capital spending drop from \$3.6 billion in 1995-96 to \$2.2 billion in 2000-01—and these are nominal dollars. It's dropped as a share of GDP from 1.2% in 1993-94 and 1.1% in 1995-96 to 0.5% of GDP now. You don't have to look too far to find people raising concerns about the impact that's having on the quality of Ontario's infrastructure, whether you're talking to the Association of Municipalities of Ontario, which is raising significant concerns about the impact of capital spending restraints on the roads, or the concerns that Walkerton raised about the quality of Ontario's sewer and water infrastructure, and the list goes on.

In the elementary and secondary area, we're seeing a very tumultuous period in collective bargaining in the



public sector. That's a direct result of the constraints on spending, which the government attempts to hide, but in fact the government's own numbers speak for themselves. The average real per student spending has dropped by \$744 from 1997, which was the last year before the new funding formula came in, to the 2000-01 level.

1010

In post-secondary education we have this interestingly stark contrast between what the government says about Ontario when it's talking to potential foreign investors and what it's actually doing in its investment in post-secondary education. We rank last in Canada in our per capita spending on college and university education, and again you can see the impact. So that's another stress on the expenditure side.

On the health care side, we have this great mystery that there's more and more money going into the system, according to the government's accounts, yet it doesn't seem to be having much impact when you hit the street, whether it's concerns about long-term care, concerns about emergency rooms, lineups for specialized treatment, whatever.

In social assistance, the 21.6% cut the province brought in in 1995-96 has been taken up, thanks to inflation, to effectively a 30% reduction in living standard for people on social assistance. This is a fact that has emerged and grown during a period of unprecedented boom in Ontario. We're on the verge of a significant economic slowdown, with our supports for the least fortunate in our society at an incredibly weak level.

I mentioned housing in my introduction.

There's been a great deal said about the impact of budget cuts on Ontario's environmental regulation. In fact, some of these cuts are having to be reversed in the wake of Walkerton.

On the tax cuts side, roughly \$5.2 billion in tax cuts were announced in the 2000-01 budget. Of their impact, \$2.4 billion was not fully felt in 2000-01 and will be felt fully in 2001-02. That obviously affects one's projections of revenue.

The 2000-01 budget had a proposal to reduce capital gains inclusion to two-thirds from three-quarters. The federal government brought it down to 50% and Ontario has followed. That's a \$770-million item that wasn't counted in the 2000-01 budget projections and that will be affecting the budget in 2001-02.

The promised cuts still to come: we're still living with the legacy of the 20% cut that was promised pre-election in 1999. It's anybody's guess as to what percentage of that cut the government thinks it has already implemented. A lot of it depends on whether you count the impact of introducing indexing as a tax cut towards that 20%. If you count that, it's about two-thirds done; if you don't count that, it's about half done. In the projections I've done, I've made the more generous assumption that it's two-thirds done. In other words, I've credited the benefits of indexing the tax parameters to the government's tax cut program, leaving only about a third left.

We have significant embedded promises for corporate tax reductions on all rates of tax: the general corporate tax, the manufacturing and processing and primary industry rate, and the small business rate. Only the small business rate is locked in to a specific schedule. The rest of them just have a target date and an unspecified schedule.

There are the announcements that were made in 1998 and 1999 respectively on reductions in the commercial, industrial and residential property taxes that the province levies for education. Those numbers are still to be implemented on a schedule as yet to be determined, but clearly the government has said all along that it intends to do it during this term.

Just one footnote to this: because the province doesn't actually admit formally that it's collecting property taxes for education on residential, commercial and industrial property, the impact of that cut actually shows up on the expenditure side, because as the province maintains its grant levels at the same level and reduces the amount of money that's raised from the commercial, industrial and residential sector from property taxes at its dictate, the amount it has to put into the system in grants to maintain the same level of funding for school boards goes up. That's the way that plays itself out.

I'm not going to go into great detail on the impact of the auditor's view of the government's accounting. That's probably a story for another day. I read it in the fall and then I re-read it when I was preparing for this, and I was actually stunned when reading it at the in-temperate language for an auditor that is used in the auditor's view of the government's accounts. When an auditor uses phrases like, "This practice distorts the government's financial reporting," and concludes with a statement like, "If such multi-year items are in future recorded as expenditures in one year on a substance-over-form basis, I will have to reassess whether to then include a reservation in my auditor's report on the government's financial statements." That's pretty strong language for an auditor. That's equivalent to a tirade for an auditor. I think it speaks to the difficulties the government will experience if it tries to play with the estimates and play with its budget projections in order to minimize the impact of the other pressures on the government's balance sheet.

I come to the main thing I want to talk about today, which is the economic situation facing the province. When the budget was announced in May, I think the government was projecting 3.1% as a growth forecast for 2001—at least that was the consensus forecast it was reporting. By November, Mr Eves had increased his projection for 2001 to 3.7%. I understand that, under some pressure, the committee managed to tease out of the minister an estimate of 2.8% as the government's current projection for 2001.

I'm not going to play competing forecasts here. My own view is that that's still excessively optimistic. I have a great deal of trouble imagining how you can have two consecutive quarters of real growth less than 1.5% in the

United States and not have that have a much more significant impact on the rate of growth here than the government is acknowledging. I've seen other estimates that are in the range of 2% or 2.2% for 2001. I happen to think it will probably be lower than that, given the severity of the slowdown which, there is widespread evidence, is taking hold in the United States. But even the relatively modest slowdown that the minister is admitting to now, as you'll see when we get into the projections—when you marry that with the tax cut promises that are still in the mill coming to fruition, it has a significant negative impact on the government's financial situation.

1020

I've taken these various pressures into account and looked at what the impact will be on Ontario's financial situation in various scenarios. Let me just say right at the outset that I have not taken into account any upward pressure on expenditures resulting either from the expenditure pressures that I talked about or the natural push upward of expenditures that happens as the economy slows down. So on the expenditure side, I've actually understated the likely impact of an economic slowdown on the government's financial situation.

I've looked at three different scenarios for economic growth. One is a base case that takes what the minister said a little over a week ago as gospel. He indicated a 2.8% growth rate forecast for 2001. We understand that the corresponding inflation assumption that's being used in finance to that number is 2.6%, so I used that. Looking forward—they won't look forward very far—I've used for this one the assumption that people have been using for a while of about 3%, which is consistent with the very slight slowdown that those who are whistling in the dark about the economic situation in the United States are going with at the moment.

I've then got what I call a "soft-landing" scenario. I put that in quotes in the paper because, while it's a term that describes a slowdown that doesn't result in a recession and has in effect become a kind of a term of art in the economic forecasting business, I don't like using it because every percentage point that the rate of growth of the economy drops is thousands of people out of work. For them, it's not a soft landing at all. But let me just go with the terminology.

Then on the fiscal side, I've got two different scenarios outlined. In one of them, I assume that the government recognizes the severity of the financial situation that it faces and suspends further implementation of its tax cuts. What that means is that those tax cuts that have already taken effect will continue, but the ones where no firm date has been announced yet for the cut will not be implemented, will be suspended until the fiscal situation improves.

In the other scenario, I assume that the tax cuts that have already been announced are implemented on an assumed schedule that has them done by the end of the government's term. There's no scenario built in here for any further tax cuts beyond the ones that have already been announced or promised.

In the so-called soft-landing scenario, I assume that real growth drops to 1% for two years and stays below the long-term projection for another year. So it's quite a severe slowdown but it's not a technical recession.

I've also got a scenario in here that assumes a recession that is equivalent in severity to the recession that hit Ontario in 1991-1993, just to see what would happen if we got really whacked. I don't believe that's going to happen, because I think some of the additional factors that contributed to the severity of that recession don't exist, principally the fact that we were digesting an unrealistically high price for the Canadian dollar at the time and we were also going through a period of significant adjustment to the structural changes resulting from free trade. I don't see that happening, but it's in here as a kind of "What if?"

I'm going to get up and sit down quickly so I don't screw up the mikes. I've got two charts. They are in your document, but I want to put them up so I can point at them.

The six scenarios I looked at are all outlined here. On the revenue side, you can see that the most optimistic forecast has revenue increasing from about \$64 billion in 2000-01 to about \$68 billion in 2002-03. That's assuming no tax cuts and that the relatively rosy economic forecast the government is using publicly persists.

The second line down: the difference between the dotted red line and the pink line represents the cost, at those growth rates, of the completion of the second-term tax cuts that have already been promised. You can see the kind of hit revenue takes when you proceed.

The next line down, the dotted blue line, is what happens if you suspend the tax cuts but the growth scenario is closer to the soft-landing scenario I've described. As you can see, you get a similar kind of revenue hit: about a \$2-billion hit in revenue by 2002-03 results from that growth assumption.

The two bottom lines, the solid red line and the dotted green line, are the projection of what happens to government revenues if we get into a real, capital-r recession equivalent to the one that hit Ontario in 1991-93. As you can see, there is really a quite substantial hit to revenue at that point, particularly relative to the relatively rosy forecast. If you combine proceeding with the tax cuts and a real recession scenario, you end up with an actual reduction in revenue of about \$5 billion over a two-year period.

I think that's an illustration of the extent of Ontario's exposure fiscally to variations in growth projections.

The easier number to deal with when you're looking at these numbers is to look at what happens to the deficit. I'm going to put that up now and then talk about it.

What the numbers tell us is that the only scenario that keeps Ontario out of deficit, going on for the next two years, is the one in which the minister's very optimistic forecast of economic growth turns out to be correct and the government does not proceed with the tax cuts that have been promised but not yet implemented. That's the



only scenario that produces a balanced budget or better in each of the next two years.

If the government proceeds with the tax cuts, even with the optimistic economic forecast of the minister, the pressures on the revenue side are such that the budget will drop into a deficit of about \$1 billion next year, and that deficit will persist for the year after that as well. That gives you roughly the same result as the no-tax-cut and soft-landing scenario.

The others are relatively self-explanatory. As we go through it, obviously the worse the economic growth situation is, the more substantial the hit on the government's revenue and the more substantial the hit on the bottom line, and the impact of proceeding with the tax cuts relative to not proceeding with the tax cuts is correspondingly the same between each of the two scenarios. The only thing I would add to that particular summary is to say that in the worst of these scenarios—a 1991-level recession and a decision to proceed with the tax cuts—we're into a scenario with a deficit that is very close to the deficit the government had in the first year it was in power, in 1995-96.

1030

So the province's finances are very heavily exposed, and there's no great mystery as to why that's the case. The government decided when it was elected that it was going to spend the fiscal dividend before it arrived. As a result, in spending the fiscal dividend before it arrived, the government also systematically eliminated it. Each time some fiscal flexibility emerged in the budget, the government took steps to eliminate it by accelerating the tax cuts, bringing in more tax cuts and undermining the revenue base of the province, to the point where last year we reached the peak of a boom with essentially no fiscal flexibility—very, very little fiscal flexibility—and we're paying the price for that now.

What conclusions do I derive from this? The principal conclusion is that it would be irresponsible, given this current fiscal situation, for the government to proceed with any further tax cuts. The government should at the very least suspend its program of tax cuts. If it doesn't do that, then in every scenario it produces a budget deficit, and the way this government views the world, that means it will produce a round of expenditure cuts in a system that's already significantly stressed. If we go beyond that point and get into a situation where Ontario is chasing George W. Bush down to the bottom, we are causing even more damage to Ontario's public services.

I think it's important to recognize something that's often left out of the equation except, as I said, sometimes when certain governments advertise the benefits of the province elsewhere. It's important to understand the significance of the public sector's contribution to the foundation of economic growth. I'm talking about relatively mundane things like good-quality roads, highways that have the capacity to carry the traffic that's required, an infrastructure that will support growth in residential areas, that will provide clean water—you can go down the list.

Secondly, there's a category of public expenditures that everybody acknowledges contributes significantly to Canada's economic advantage relative to the United States, most notably the medicare system, which, for example, my colleagues in the auto industry say is worth somewhere in the neighbourhood of \$6 an hour as a difference in cost to the automakers.

The third category—again, each one a little more difficult to nail down, but of significant importance—is that for the long run there are significant limits to the extent to which we can disinvest in public education without damaging what the economists call human capital, which everybody says is absolutely vital to the long-term economic future of the province.

So I think we're at a bit of a crossroads in budgetary terms. As I said, it would be fabulously irresponsible for the government to proceed with these further tax cuts in this economic and fiscal environment. We all hope the minister's rosy forecast for economic growth for Ontario is accurate. Frankly, I don't see any cause out there for that optimism. Our economy is so heavily tied into the economy of the United States that it is inconceivable that we could roll along merrily at about 75% of the growth rate we've enjoyed long-term in Canada, while in the United States their growth rate is one third, in real terms, what their growth rate was. It's just inconceivable that this could happen.

I've noticed that people have gotten a little quieter in going on and on about the robustness of the high-tech sector as a defence for Ontario, relative to the slowdown in the American economy, since Nortel's announcement. I think what we're learning is that both on the investment side and on the economic side, fundamentally there isn't anything particularly special about the high-tech sector. It's not immune from economic cycles. It will go down when the economy goes down. In some respects, the high-tech sector may actually be more vulnerable to economic swings, because when things really get bad in a corporate culture, those kinds of expenditures may be considered to be the ones that are easiest to dispense with. I didn't agree with those taking the comfort last week; I don't think this week anybody can take any comfort from the high-tech sector. I think we've had demonstrated to us that it's as vulnerable to swings in the economy as any other sector is.

I'm sorry to be so gloomy, but I think there's a very significant choice in front of the government right now. As I said, I know it's very hard to talk to people who have the tax-cut religion about slowing down, but I think we have to keep our eye on the bigger picture here about the role that public services can play in the economy and the role they play in the lives of the people of this province.

**The Chair:** Thank you very much. We have approximately six minutes per caucus. I'll start with the official opposition.

**Mr Monte Kwinter (York Centre):** Thank you very much for your presentation. Just one comment: your first slide I don't have in my package.

**Mr Mackenzie:** No, you don't. If you'd like, I'll copy that for you.

**Mr Kwinter:** No, that's fine. I just thought maybe it was an oversight.

In your presentation, I didn't see any reference to debt reduction. Do you have any comments on that?

**Mr Mackenzie:** No. Debt reduction is a matter of priorities. In my view, it's the lowest priority. When you get the level of public services repaired, then you can think about debt reduction. In the long term, as everybody says, economic growth takes care of the extent of the problem that's created by debt. But I certainly wouldn't make any assumptions about retiring debt at this point. We're heading into what everybody acknowledges is at least a slight slowdown, perhaps a significant slowdown. In the modelling I did of the government's financial situation, I didn't make any assumptions about earmarked funds for debt reduction. I just don't think that's the priority at this point.

**Mr Kwinter:** We've had groups that have appeared before us who feel it's the absolute number one priority.

The other thing I wanted to talk about was, in your modelling, you use inflation as far as growth and program spending, which means that all of those groups that have appeared before us and feel they're severely underfunded, whether it be in health care, education, social services, housing, help for the poor—if you just stick with inflation, there's no increase for them at all; it's just the status quo. They stay where they are, other than inflationary adjustments.

1040

**Mr Mackenzie:** Yes, I'm making the assumption that on the expenditure side the government is not going to suddenly see the light. I'm not presenting here what I want to happen, what I would like to see happen; I'm making expenditure projections that I think are a realistic guess as to what the government might actually do, what the government might actually be planning. Much as I might like them to, I'm not seeing any evidence that the government is planning, for example, to make any significant inroads to address the impact of their cuts to education funding, for example. I'm not seeing any evidence to date, anyway, that the government has any intention of doing anything on the housing front. I wish that were not true, but the purpose of this exercise is not to say what kind of world I would like to see; really, it's to take the world as I think the government probably sees it on the expenditure side and ask, "What are the implications within the government's own framework of these various scenarios?"

**Mr Kwinter:** Effectively, your projections are very small-c conservative projections.

**Mr Mackenzie:** Absolutely. I maybe said it too quietly, but at the beginning I said that on the expenditure side I had made two, in my view, conservative assumptions; one was that even though I think the squeeze that's facing the government on the unmet-needs side is quite significant, I've assumed that they don't respond to that. I've also assumed that there's no built-in stabilizer effect

on the expenditure side, as of course there would be, particularly with social assistance.

**The Chair:** Mr Cordiano, I'll give you a minute.

**Mr Joseph Cordiano (York South-Weston):** In a minute, your mention of a lack of capital spending I think is quite appropriate, because looking at the fiscal plans of the government over the last number of years, you rightly point out that there has been a significant drop in capital spending. I'd like your opinion. Is this drop in unplanned capital spending for some very basic needs—and you've pointed this out, but I think it's important to emphasize that if we are going through a period of slowdown in the economy, this would be the most appropriate area in which to increase expenditures for capital spending. Would you agree with that? I think that would be the greatest spinoff that public dollars could make in terms of economic growth in a slowdown.

**Mr Mackenzie:** I would agree with that, and I note with interest that we seem to have the governor of the Bank of Canada on our side as well. In Mr Dodge's speech to the Canadian Club a couple of days ago, he drew attention to the fact that the government sector had contracted from 1992 to 1998. Part of the reason for his optimism was his view that the government side of the ledger was going to start to grow again, and he specifically mentioned the capital spending deficit. Because we don't have an accounting system in the public sector that measures assets and their depreciation, we don't really know; we can only look at what we've been doing in previous years. But if we ever get to an accounting system that values assets and measures depreciation, my instinct would be that it would show for most of the 1990s we've been consuming assets.

**Mr David Christopherson (Hamilton West):** Thank you, Hugh, for your presentation. I just want to pick up on the issue of the amount of pressure that we've seen the government members face while we've been across the province in terms of making debt reduction the number one priority. If one assumes that they're going to continue to play to the crowd that they have so far, it means they're still going to have to go through with their tax cuts, as you point out is the likely scenario, but it also says to me that if they want to appease those pressures, they're going to have to do something beyond what they're already planning to do with debt, assuming that they're going to do something, even if they just give it a throwaway.

Other than the one scenario where you show positive deficit results and we're into a surplus, all the other scenarios are negative. I'd like to get on the record what the impact is, in your opinion, of the economic drag added if the government chooses to go ahead with tax cuts, go ahead with debt reduction and the only way they can do it with falling revenue, even under the soft-landing scenario, is to cut expenditures even further. What kind of world does that start putting us into when you look at the drag on the economy?

**Mr Mackenzie:** Basically, it puts the government in the position of chasing the economy downwards, because



when you cut spending and cut taxes at the same time, the negative impact of the spending cut on Ontario is about five times the positive impact of the corresponding tax cut. The overall multiplier effects on the spending side are much better, much higher, between two and a half and three times the multiplier effects on the tax side. Then on top of that you have to take into account the fact that the leakage out of the Ontario economy of the benefit from a tax cut is significantly greater than the leakage out of the Ontario economy of the cost of a public spending cut. So if we got into a scenario where tax cuts are proceeding and expenditure is being cut, chasing the rate of growth down in order to keep the budget balanced, the government will be in the perverse position of reinforcing the negative trends in the economy. The government's actions will be driving the economy further into debt, will be driving economic growth lower. It would sort of be Keynesianism upside down.

**Mr Christopherson:** Would it be your expectation that most economists in the financial sector would be advising the government not to do that and to just go ahead and run a modest—I realize we're stepping one out here, but what kind of advice do you think they may be getting in this scenario vis-à-vis the debt if they went to those in the financial world and said, "This is what we're thinking of doing. What are your thoughts on it"?

**Mr Mackenzie:** I actually see kind of confused comments coming out of the financial community. Most of the commentators I've seen do their best to genuflect in the direction of tax cuts. They also raise concerns about public service quality. So you get in the same speech comments about the disastrous impact on the economy of congestion on Ontario's highways at the same time as they say that we ought to be chasing the United States income tax rates down at the same rate as George W. is driving them down. So there's a bit of a schizophrenia there. At the same time, when you sit around with a bunch of bankers, they will all tell you that debt reduction should be the number one priority.

Part of the problem is that the nature of the advice that's appropriate is very different if you're talking to the federal government than if you're talking to the provincial government, because even with the massive tax cuts that they campaigned on in the recent election, they made very conservative assumptions about economic growth in those forecasts and, unlike the Ontario government, the federal government didn't spend the fiscal dividend before it arrived.

So you'll get bankers saying to the federal government that debt reduction should be the number one priority, but they're doing that in the context of what they view as conservative projections about revenue growth and the likelihood that unacknowledged surpluses will emerge. They're really positioning themselves in the debate that will be ongoing in the federal context about what the size of the surplus actually is. In the Ontario context, you can't take the same logic and the same set of priorities and project them into this context, because we have a

revenue base that has been significantly undermined and a fiscal strategy that has been designed to extinguish fiscal flexibility whenever it has emerged.

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**Mr Christopherson:** I have a quick question on jobs, if I can, Mr Chair.

**The Chair:** Go ahead.

**Mr Christopherson:** Thank you, Chair.

The impact that you expect on the part of the economy that you're most familiar with—that would be steel—and just overall how many—again, let's take all of this and turn it into some people issues. At the end of the day, under various scenarios, do you have a sense of just how many jobs we're talking about losing and how many of them are likely to remain out of our economy as opposed to bouncing back say two, three, four years out?

**Mr Mackenzie:** The loss in jobs will be significant. We're talking about in the tens of thousands of lost jobs throughout the economy. Our union represents a lot of people who work in the auto parts sector. I was just speaking with one of our reps in southwestern Ontario yesterday, who was telling me that there are already layoffs rippling through the parts sector in southwestern Ontario, well beyond the initial stone that hit the water, if you want, and that's before anything real had happened at Chrysler, for example. That's before anything real had happened at the CAMI plant. We're seeing just slight slowdowns in rates of production. These two-week temporary layoffs are backing up the pipeline and producing layoffs in input plants.

Steel is kind of a different story, because it's being whacked from every conceivable direction. Steel is being whacked by the auto sector, it's being whacked by the decline in the American economy more generally, and both in Canada and in the United States the industry is being whacked big time by dumped imports, which our current trade regulations don't seem to be able to deal with effectively.

**Mr John O'Toole (Durham):** Thank you very much, Hugh. It's good to see you and the story from the dark side kind of thing. It's interesting. You've sort of capitalized us as being the tax-cut religion. Quite honestly, it's a tax-cut discipline, technically. The same scenarios were talked about in 1995-96 with a very assertive policy of tax reductions. We had a very simplistic expression, if you're an economist, that tax cuts equal jobs. You'd have to judge that as a successful model of discipline, I would think, the outcome of over 800,000 new jobs, directly related to the more you increase the disposable income, the more you increase the consumption, a fairly simplistic model as you presented it.

You talked just briefly here about the threats in the steel industry internationally, really, and I would agree with you. So I'm going to move toward the whole model of global competition. We can't, certainly as a province—I guess the federal government has more say internationally certainly with respect to trade and trade issues and our competitiveness. But much of the discussion we've heard about is having the infrastructure to

be competitive. Part of that is the capital tax side, the personal income tax side, and clearly in your agenda you don't get it. You really don't buy into it, and yet wouldn't you say your industry internationally has to be competitive? That's the first requirement. If it costs more, then you aren't going to sell more. It's just that simple. That may be too simplistic, as I'm not as eminently qualified as you are.

The first thing I'd like you to respond to is, do you need to be competitive in whole jurisdictional areas: R&D investments, capital costs, capital depreciation, capital tax generally? Aren't they part of what your employees really need to create jobs? That's not to say you have to embrace our so-called religion, but you need to address that.

I just want to refute your general assumptions on the economic, the macro view. You really did sort of misrepresent David Dodge. I'm looking at the Globe and Mail this morning—hopefully you've read it—and he says, "Despite the sharp drop-off in the demand for cars and communications ... 'in the rest of the economy, incomes are high, employment is high and demand is strong.'" You've got to tell the whole story.

I'm just going to follow up on that, because this sort of legitimizes my own view. Dodge said here about the range of economic forecasts—I might agree with him more than you, so I might have dismissed your assumptions already since I read this earlier this morning. It says the assumptions are about 3% this year and a range of about 3% to 4% was forecast last fall. "Despite the near-term uncertainties, the bank remains positive about Canada's economic prospects for the year, given productivity increases"—that's the real growth in GDP, productivity—"and rising disposable incomes aided by tax cuts that are working to sustain" growth in domestic demand.

If you had listened to Flaherty's comments on the first day of the hearings, you'd recognize that the important contribution of domestic demand again comes back to disposable income. The high-tech sector is one of the sectors in Canada that I think is surpassing the 10% of the auto sector. The knowledge-based, infrastructure-based economy is something you haven't quite got your mind around. In my view, you're looking at the wrong part of the economy. The traditional economic strengths are weakening, so I just don't embrace many of your premises. Perhaps you can respond. Do we need to be competitive? Do tax cuts have any outcome, despite what David Dodge has just said this morning in the paper?

**Mr Mackenzie:** Let me respond to a couple of the things that you said. First of all, yes, we have to be competitive, but the definition of being competitive is much broader than doing an item-by-item tick-off and saying, "This is higher than this, so we've got to get it down; this is higher than that, so we've got to get it down." There is a great number of things that contribute to the competitive position of this province.

In the sector you seem most concerned about, perhaps the most important investment we make is in public

education, which investment this government has cut back on. So, quite seriously, I'm having a little bit of trouble taking very seriously people who have been cutting back on our investment in human capital, in training, in post-secondary education, in elementary and secondary education, in child care and all those things that contribute to the development of our human capital. I have a little trouble listening to people wax on about the benefits of the knowledge economy and the strength that Ontario brings to that, when the drivers of that particular part of our economic future are being undermined.

Let me say, secondly, that I think nothing epitomizes the tax-cut religion better—nothing illustrates it better—than the wilful, deliberate ignoring of the unbelievably powerful impact that the growth of the American economy has had and the growth of Ontario's exports to America has had on our economic performance in the last five years. Just to give you an example from a couple of examples that I cite in the paper that I didn't talk about: something in the order of for every dollar that our GDP has gone up since 1995, exports to the United States have gone up by 80 cents. So this is significant growth in exports. That, if you talk to a macroeconomist, is what's known as an economic driver. That's something that's external to the economy that is driving the performance of the economy.

Just another set of numbers: in 1995, roughly 36% of Ontario's GDP was exported to the United States. In five years, that has increased to 46%. So not only were we tied to a rapidly growing American economy in the late 1990s but we are tightening those ties and increasing our exposure, which is having a double impact on the economy.

With that as the background, I just think it's whistling in the dark for people to say, "Well, we've got the fundamentals right; we've got tax rates down and we've got this." It's like we're walking down the street and the goblins are lurking in the alleyways as we walk past and we're just whistling away, saying, "Gee, we're just happy and we're just going to ignore the goblins." The goblins are there. The goblins are growing at 1% this quarter, according to most American forecasters. I think you're dreaming in technicolour if you think that's not going to have an impact.

**The Chair:** On behalf of the committee, thank you for your presentation this morning.

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#### CANADIAN MANUFACTURERS AND EXPORTERS

**The Chair:** Our next presentation is from the Canadian Manufacturers and Exporters. I would ask the presenters to come forward and state your names for the record, please. On behalf of the committee, welcome.

**Mr Ian Howcroft:** Good morning, Chair, and members of the committee. My name is Ian Howcroft, vice-president of the Canadian Manufacturers and Exporters, which was formerly known as the Alliance of Manu-



facturers and Exporters Canada. We changed our name last fall. With me is Glen Pye, director of taxation for Nortel. Glen is the chair of the Ontario division taxation committee. Also presenting this morning is Joanne McGovern. She is CME's director of taxation.

We are going to divide up our presentation this morning, with me providing some opening comments or introductory remarks. Joanne will follow up with some highlights of our recommendations and Glen will provide some further information on the recommendations and give some reasons as to why we feel they're necessary. After the formal presentation, we'd be pleased to entertain any questions the committee may have.

It's important to note that the manufacturing sector continues to drive the economy in Ontario and in Canada. Ten years or so ago, many had written off the manufacturing sector, but to paraphrase Mark Twain, the rumours of its demise were much exaggerated. One thing is certain: manufacturing has changed dramatically and it will continue to change. Over 1 million individuals are directly employed in this sector and almost 2 million others are dependent on the manufacturing sector for their jobs.

CME is the representative and the voice of manufacturers and exporters in Canada. Our members produce 75% of Canada's manufactured output and they are responsible for approximately 90% of our exports. Our members come from all sectors of manufacturing and all areas of the province and country. We represent the very large to the very small, but the majority of our members in pure numbers would be considered SMEs.

CME has a very active tax committee which comprises almost 100 individual from our member companies, and they provide us with policy and technical expertise. We have identified and prioritized several key areas in the Ontario tax system that require immediate attention. The recommendations we have outlined in this submission are necessary for the province to maintain a healthy economy and improve the competitive environment for manufacturers and exporters. This is even more important, given the amount of economic uncertainty we're currently seeing and experiencing.

In addition to the specific tax issues we're going to address, we also want to highlight a couple of other points, one being the skills shortage issue. Successfully resolving this issue is essential to the success of our members and to the success of the province. The situation is going to get worse before it gets better. The magnitude of this issue will increase as a significant proportion of the workforce will begin to retire in large numbers over the next few years. In fact, by 2020, 50% of those currently working will have left the workforce.

We had a meeting last evening, and the consistent message from the senior HR executives was that we have to deal with this issue, we have to come up with solutions to the skills issue. The average age among these companies was 47, so they're going to be leaving very soon and in large numbers at the same time.

It's essential that the government recognize time-sensitive skills shortages and the needs of education,

health care and infrastructure and develop a long-term plan for each that is coordinated. These programs must be prioritized and balanced within a fiscally responsible economic strategy and a globally competitive tax system. Furthermore, we must all address the issue of infrastructure. The government must take a lead role. We are pleased that the government is dealing with this issue and is looking for innovative solutions—by that, I will cite SuperBuild—however, a lot more must be done. I'll cite one example that we are quite concerned with, and that's the deregulation of the electricity market here in Ontario. The government has started down the road to introduce a competitive marketplace, but it must ensure it continues down this road in a planned way. We have seen what can happen in other jurisdictions because of a lack of planning. Ontario can ensure that we escape these experiences by taking the necessary steps in a planned and confident manner which will attract investment and create a competitive electricity market in the province.

Those conclude the introductory remarks, and with that I'll ask Joanne to talk about some of our recommendations.

**Ms Joanne McGovern:** I'm Joanne McGovern, director of taxation at Canadian Manufacturers and Exporters. I'd like to start off by first commending the current government with respect to the efforts they've taken in the past years in tax reform and making Ontario a better place to do business and to live. Our members recognize this, and we support and encourage these measures, specifically, first of all, the act that was passed in 1999 to balance all provincial budgets—that is recognized as a very positive measure—as well as the commitment of the government to pay down the current provincial debt. In saying that, CME members do encourage the province to pay down the debt at the same time, or in conjunction with, targeted tax reform.

I'll go into our four main recommendations, which have come from our tax committee, what we recommend for the 2001 budget in terms of the four main areas of tax reform.

Our first recommendation is to legislate the 8% corporate tax rate which the government introduced last year, and at the same time to also legislate the personal income tax measures and reductions that were also introduced last year.

Our second recommendation is to eliminate the capital tax and the corporate minimum tax. Those are two investment-unfriendly taxes that the CME has been advocating eliminating for many, many years in many of these submissions. We strongly recommend that this be the year to eliminate both of those taxes. Glen will go into a little more detail as to why we believe this is a good measure to go forward with.

Third, we believe that improving the existing capital recovery system would be advantageous to manufacturers and exporters, and business in general, in Ontario. Just to make note, there is a system in place called capital recovery adjustment. It is a good system; however, we do have some specific recommendations to improve that

system, to make it better and more advantageous for manufacturers.

Last, and Ian alluded to this, is the skills shortage issue. We strongly recommend that governments get together and come up with a long-term strategy to address not only the skills shortage but retraining and initial training. That's an area that will directly impact our members as manufacturers. As Ian also included, 2020 will be the crisis point.

Those are our main areas of recommendations. We also have—you can turn to your submission—five administrative recommendations that I won't go into in a lot of detail, but they're also included in our submission, and we believe looking at those administrative issues will also improve the effectiveness of the general tax system in Ontario.

I'll now turn it over to Glen Pye.

**Mr Glen Pye:** Good morning. My name is Glen Pye. I'm the chair of the Canadian Manufacturers and Exporters Ontario division tax committee. What I'll do is give you some background on our various recommendations. I'm going to follow the order that you have in your submission.

Our first recommendation involves corporate income tax. In last year's budget, Ontario announced the intention to reduce the corporate income tax general rate from 15.5% to 8% and the manufacturing rate from 13.5% to 8%. We certainly support this initiative and think it will provide a lot of benefits to the manufacturing community. What we are recommending now is that the province actually legislate the timetable for the reduction of these rates. They do have a targeted rate of 8% for 2005, but the way business decisions are made is based on known tax rates, and as long as there isn't a schedule for these rate reductions, Ontario won't enjoy the full economic benefits of this planned tax reduction. By having that certainty out there in a schedule that the province can live with, I think you'll find that the economic benefits will be achieved.

Our second recommendation involves the capital tax. We suggest that Ontario eliminate its capital tax. Capital tax has been proven internationally, through various studies by the OECD and others, as a disincentive to investment. Capital taxes are profit-insensitive and can impose a substantial burden on companies. Also, they're just not well understood by the foreign investment community because it's not a tax that exists in very many jurisdictions around the world. In fact, Alberta has even legislated to remove their capital tax this year. So we do suggest that that tax be eliminated.

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Our third recommendation is on capital recovery for business. We're recommending improvements to the capital cost allowance system to enhance capital investment and employment. Our recommendation would be for Ontario to either reintroduce the current cost adjustment, which provides an uplift in the cost of equipment, to provide enhanced write-offs similar to what Quebec has—they've extended their similar policy of 25% uplift

through 2005—or alternatively to provide a two-year write-off for new investment in manufacturing equipment and machinery. We think that would provide substantial benefits and investment in Ontario.

Our fourth recommendation involves the corporate minimum tax. This is something that we have made recommendations on over the last number of years and had various discussions with the province. We continue to feel that based on how little revenue this particular tax raises for the province, it continues to be a very highly visible disincentive to investment in the province. Globally, minimum taxes are not very well received by the business community and probably create a barrier to foreign investment in Ontario. We think that really for the administrative complexities and the minimal revenue that's raised here, it might be a tax that it would be well to dispense with.

On the personal tax side, we certainly recognize and commend the government for making significant progress in addressing the excessive personal income tax rates. We also appreciate Ontario's efforts in encouraging the federal government to do so as well. We do recommend that Ontario legislate the tax reductions that were announced in their 2000 budget, as well as the previously announced full inflation indexation for tax brackets. We also continue to feel that Ontario should repeal the Ontario surtax on high-income earners, formerly known as the fair share health care levy. This would be similar to the federal government, which has now indicated the intention to remove its high-income surtax.

Our administrative recommendations follow in the submission that you have. I'm just going to go through them briefly. Something that's been a long-standing recommendation—I think we've appeared many times talking about it—for business, and manufacturers in particular, the replacement of Ontario's retail sales tax with a value-added tax would provide substantial benefits. It would increase the competitiveness of Ontario exporters when competing in foreign markets, where their competitors obviously are in value-added tax jurisdictions. Secondly, it would help Ontario business competing in the province, where they compete with foreign competitors. A value-added tax has a lot of economic advantages for business and would result in additional investment and employment.

In the area of property taxes, industrial and commercial taxpayers continue to pay a disproportionate share of the tax burden. This has been recognized by the province. We feel Ontario should continue to work toward a simpler and more competitive property tax system. We recommend that municipalities should be required to reach provincial fairness ranges within five years and that municipalities should not restrict warranted tax reductions to fund caps on tax increases.

On the Ontario R&D superallowance, in the last federal budget the federal government subjected Ontario's R&D superallowance to federal corporate income tax, minimizing the benefit of this program. We've made our thoughts known to both the Ontario and federal gov-



ernments, but we'd like to see the governments co-operate in this area in encouraging R&D, in that they should not really be imposing additional tax burdens on each other's incentives. Additionally, we do have an administrative matter regarding the superallowance, where it could be simplified and more effective for the province if it were blended into a single rate on a non-incremental allowance.

On capital gains and stock options, we're pleased that Ontario has announced its intention to parallel the federal government's 50% capital gains inclusion rate, effective October 17. We're looking forward to legislation to enact that provision. We're also pleased with the changes in the tax treatment of stock option gains for R&D employees. However, we feel that the R&D restriction might be too narrow and may not provide benefits for a number of small and medium-sized manufacturers. We'd like the government to review their criteria here to see if we can't extend this benefit to companies that might not otherwise be eligible under the current program.

The one other policy we've made note of in our submission relates to a deduction disallowance that Ontario imposes on certain inter-company management expenses and lease payments. Ontario has modified this rule in recent years, and we feel it's really outlived its usefulness and should be eliminated. We're also encouraging Ontario to continue to work with the federal government to eliminate the withholding tax on dividends, particularly under the US-Canada tax treaty, because we feel that will substantially encourage foreign investment in Ontario.

Our last bullet point deals with provincial sales tax on software. A number of our members continue to feel that the application of the 8% sales tax on purchases of software is a disincentive to the acquisition of new technology. They recommend that Ontario reintroduce the exemption that was previously available on purchases of software.

That's it. We're open now to questions.

**The Chair:** Thank you very much. We have approximately three minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. I don't know how much of Hugh Mackenzie's presentation you heard, but he was laying out some projections based on different scenarios, from implementing the tax cuts but with a so-called soft landing, to increasing the cuts and accelerating payment to debt, and even getting into a recession scenario and a few in between. But other than one scenario, it looks like there's a really good chance, if the government continues the way they are and implements the tax cuts, that even with a soft landing they're going to be in a deficit position in terms of the budget.

Do you think they should cut spending, if necessary, to balance the budget, which would be necessary if they wanted to go ahead and follow your recommendation of continuing with the tax cuts they have planned, let alone any new ones you might have suggested? And if you

agree they should cut spending to do that, then how do we deal with the corresponding drag Hugh mentioned? I believe he said the ratio was 5:1 when you're talking drag on the economy. Is all that worth it at the end of the day, or do you not agree with his assumptions?

**Mr Howcroft:** Unfortunately, I only caught the last couple of minutes of his presentation, so I really can't comment on what he had to say. Our view is that we want to ensure the government maintains a balanced budget and starts paying down the debt. We feel the recommendations we have made in support of the direction that has been started will ensure that happens.

We are concerned about the economy. There is definitely a softening. We're still optimistic that, overall, the economy will pick up in the latter half of this year. We will have some growth but not what had been forecast earlier. If we could project exactly what was going to happen with the economy, we'd all be a lot richer and a lot better off. I take some consolation in the fact that economists have predicted six of the last two recessions, so we'll just have to wait and see exactly what happens. I think there is a definite softening, but we feel the government should stay the course, stay on track and implement the recommendations we have outlined. We feel that will put it in a healthy position for the future.

**Mr Christopherson:** But projections based on current numbers suggest that if they follow through with the tax cuts, we're going to end up in a deficit position on the budget. And if they want to keep it balanced and keep the tax cuts in place, let alone accelerating any debt repayment you're recommending they do—don't even deal with that; just the cuts that are recommended—that is going to put us in a deficit position, and the only way they can offset that is to cut spending further, which, as Mr Mackenzie pointed out, is going to have us chasing the economy downwards.

**Mr Howcroft:** Again, we definitely don't support going into a deficit position. If that was the case, we'd have to look at spending and obligations—

**Mr Christopherson:** But you wouldn't look at tax cuts to stay at a balanced budget? You want the tax cuts even if it means we get into a deficit, even if it means we have to cut spending further? That's what you prefer?

**Mr Howcroft:** Our position is that the tax cuts will help the economy. They'll help us to attract investment, keep the investment we have here, keep the confidence of the business-employer community so that hopefully we won't be in a position where we're in a deficit.

**The Chair:** Thank you very much. We've run out of time.

**Mr Christopherson:** The difficulty is that reality doesn't bear the argument out.

**The Chair:** I have to go to Mr Arnott.

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**Mr Ted Arnott (Waterloo-Wellington):** Thank you for your presentation. It was thorough and comprehensive, and we certainly appreciate the advice you brought forward on behalf of your members.

I want to thank you very much for your support of the need for accelerated effort toward debt retirement and debt reduction. For a long time I've felt the government needs to place a higher emphasis on that. I was very pleased that the government expanded its commitment to retire debt in this term of office from \$2 billion to \$5 billion, and you noted that. I think what we need now is to commit ourselves to a long-term—say, 25-year—debt retirement schedule or plan, if you want to call it that, to keep our feet to the fire and remind people there is a huge debt we need to pay down, especially in good years.

You talked about the capital tax, and you suggested that ought to be repealed. In my riding, we have people who complain to me about the capital tax too, especially farm implement dealers and car dealers. Of course, as you pointed out, it's a tax that's not sensitive to profit. In other words, companies that are actually losing money can be assessed considerable capital tax bills.

Do you have any idea what it would cost the provincial treasury to repeal the capital tax in its entirety? I don't know what the figure is. I don't know if you've had a chance to research it. There is likely going to be a cost, but of course our government believes that if you reduce taxes you can stimulate the economy and, to some degree, recover that revenue through greater economic activity. Do you have any idea of what it would cost the treasury in the short run?

**Ms McGovern:** I'm not exactly sure, but I believe it's \$1 billion.

**Mr Arnott:** So it's a substantial cut.

The other question I want to ask you is on the whole issue of the favourable tax treatment for share options—you talked about that. Our last budget allowed that for certain R&D types of companies, and you've suggested we expand it to everybody. That would seem to me a reasonable thing to suggest. I'm just trying to determine in my mind which companies are currently eligible and which are currently excluded.

**Mr Pye:** The way the current rules are, I think it's companies that are performing a substantial amount of R&D in terms of their overall percentages. You find very large companies that may have a substantial amount of R&D but it's not as significant a proportion of their activity, and they are not allowed to qualify. As well, you get small- and medium-sized companies that may not have the resource dedicated to that particular area. Obviously, large companies can dedicate specific divisions and people just to research and development, but it gets blended with the rest of the operation. So even though they're still doing it, because of the way they're structured they don't qualify under the current program. If we can encourage them through this program as well, I think the province in total would obviously have more R&D performed here.

**The Chair:** Mr Kwinter.

**Mr Kwinter:** Over the last several years—I guess over the last four years certainly—we've enjoyed one of the greatest increases in our economy. I've been on this committee for 10 years, and the projections on the GDP last year were almost half of what they actually were,

which allowed the government to have unprecedented revenues that even they didn't expect, and allowed them to do all sorts of things. It allowed them to come up with a surplus, it allowed them to make tax cuts, it allowed them to put some money into debt reduction.

We now have a very definite softening. I want to read something that should impact on your industry because, as you say, 90% of the exports we have come out of the manufacturing sector. "Economist Marc Lévesque of the Toronto-Dominion Bank said the figures 'confirm that we are getting side-swiped by the United States,' where the manufacturing sector is already in recession, even if the broader economy is not."

It indicates to me—and from everyone we've talked to—that regardless of the level of softening, we are definitely in a softened condition. Some are predicting a full-fledged recession; others are saying it's going to be a soft landing. But no matter what happens, no one is projecting the economy is going to grow greater than it was last year. I notice that in the Ontario Economic Accounts, inventories for the manufacturing sector are the highest they've been since 1995. So all the indicators really show that we're in for a rougher ride than we've been experiencing in the last four or five years.

With all that, every one of the recommendations in your presentation is aimed at reducing revenues for the government—helping the manufacturing sector, without question, but everything goes to reduce this tax, eliminate this tax, change the capital cost allowance, do all of these things. So all of this is going to reflect on revenues, plus the fact that virtually on a daily basis the projections of what the GDP is going to be keep dropping. So that's going to impact on the revenues, plus there's a \$5-billion commitment to debt reduction over the term of this mandate. There is legislation now that provides for balanced budgets.

Somewhere along the line you have to deal with this, and you have to deal with it in such a way that you respect the legislation, you have to deal with the commitments that the government has made to debt reduction, plus all of these other pressures. You mentioned skills development. We had a presentation by the Association of Colleges of Applied Arts and Technology saying that unless they get some more money, they're just not going to be able to deliver these skills.

All of these pressures are there, and I haven't seen anything in your presentation to say, "Here's what we think you should do." Everything is really tax-oriented, basically, the whole presentation. Other than skills development, it's all tax-reduction-oriented because it'll make us more competitive. That's a long-winded kind of preamble, but could you respond to that?

**Mr Howcroft:** I'll start. I think I recognize and see what you're saying and I agree that we are in a softening of the economy, we are seeing a major slowdown in the United States, and I think that's why we have put forward our recommendations that we have to ensure that we're competitive. Things are slowing down there. We have to ensure that we can keep the business we have here and continue to attract business, because they're going



through an even tougher time in the manufacturing sector in the United States. If we were to start raising taxes or stopping the course, we'd become a less attractive jurisdiction, and in our view things would start to deteriorate. We would be in even worse shape if we don't stay the course and continue to reduce the taxes and make it a more streamlined system and deal with the other issues that we have.

I'm glad you did note that we are very concerned about the skills shortage issue, and it's not just an issue of money on the skills shortage issue; part of our recommendation is that we have to deal with that in a more coordinated effort. If you look at how skills are dealt with in Canada, you have the federal government with its role; you have the provincial government with its role. Even within Ontario you have the Ministry of Training, the Ministry of Education, the Ministry of Economic Development with its skills initiative; you've got the Ministry of Energy, Science and Technology dealing with its own skills initiatives. What we're advocating on that is to have a more coordinated approach to better deal with the money we are allocating to skills development.

We're trying to be productive and responsible in the recommendations we're making, and we do this to ensure that we have as healthy an economy in Ontario as we can, recognizing what's happening in the United States. We are tied, even more so now than we were 10 years ago, to the American marketplace. That's a reality we have to deal with. We feel that the recommendations we make take that into account and will help ensure that Ontario weathers this economic softening as best it can.

Perhaps Glen or Joanne have other comments to make on that.

**Mr Pye:** Certainly globally we're going through a reduction in tax rates, and that increases the competitiveness aspect for Ontario. The US is again looking at tax reductions, and I know every jurisdiction has to look at its own books of account, and times change. If the economic conditions warrant it, perhaps we have to revisit some of these tax reductions. But that's the competitive state globally, and we feel that to encourage investment—and certainly investment creates taxes one way or the other, whether it's through employment or building. Almost all of our recommendations, you'll see are, to encourage investment in Ontario. So we think there will be some additional taxes provided through these cuts. Our recommendations are all based on that and keeping the global competitiveness that's required to get the sustaining investment in Ontario.

**The Chair:** With that, I would like to thank you on behalf of the committee for your presentation this morning.

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#### ASSOCIATION OF MUNICIPALITIES OF ONTARIO

**The Chair:** Our next presentation is from the Association of Municipalities of Ontario. I would ask the pre-

sender to please come forward and state her name for the record. On behalf of the committee, welcome.

**Ms Ann Mulvale:** Thank you, Mr Chair and members of committee. My name is Ann Mulvale. I am the president of the Association of Municipalities of Ontario. I'm very grateful, on behalf of the members I represent, for the opportunity to provide input into the pre-budget consultations.

I'm sure all of you know of AMO, but for the record, the Association of Municipalities of Ontario is a non-profit organization representing the voice of the municipal order of government in Ontario. AMO represents almost all of Ontario's 447 municipalities, and our membership represents over 97% of the province's population. AMO's mandate is to support and enhance strong and effective municipal government in Ontario. It promotes the contribution of the municipal order of government as a vital and essential component of Ontario's political system.

You have a copy of our written submission, but in the interests of time I will not follow it fully. I do want to set the context for our recommendations.

Having balanced budgets at both the provincial and federal government is positive. The impressive competitive performance of Ontario's economy has no doubt benefited from the disciplined fiscal management of the provincial government. However, that fiscal plan clearly involved municipal governments. We believe it is time for that contribution to be recognized.

Municipalities have managed over \$1.7 billion in transfer payment cuts since 1993 in response to the social contract, the expenditure control plan, the 1995-96 balanced budget plan and the 1998 local services realignment. We handled this significant loss of revenue at a time when property assessment was not growing and, as you know, property taxes are the major source of our revenue stream. We did this while generally holding the line on property taxes. However, it has not been without casualty. Our municipal infrastructure deficit has grown dramatically.

We understood the fiscal imperatives that the government faced in 1995. As partners in government, AMO knew that municipalities would have to be part of the solution, but we needed the means to manage the loss of the transfer payments. As an accountable, responsible and experienced order of government, we asked and continue to ask for the flexibility to manage the business of municipal governments without excessive control and prescriptive legislation. Control and prescriptiveness do not engender creativity and responsiveness, characteristics needed to govern in the modern age.

AMO and its members are dedicated to making Ontario competitive by building strong, efficient municipalities. We know that competitiveness is a driving force in the province's economy. However, 2001 is proving to be a year of great challenge for many of our members. The year 2001 is seeing the convergence of the shifts in property assessment and taxation policies with the costs of downloading and the real costs of new mandated

programs and standards. It is seeing the convergence of the costs of amalgamation, particularly the pursuit of the highest pay levels for employees. It is the convergence of an economic slowdown.

Our submission will therefore look at three factors that are posing a significant challenge to local-level competitiveness and credibility.

(1) The province's policy to make property taxpayers absorb the cost of open-ended income redistribution programs;

(2) The maturing costs of the local services realignment and the continuous trickling of downloading; and

(3) The combined effect of these two pressures is significantly impacting the efforts by municipalities to timely, proactive rehabilitation to our vital capital infrastructure.

Let me expand on these three impacts, beginning with income redistribution programs. To be clear, some of the transfer of services under the local services realignment made sense, and after a number of false starts by previous governments, this government has disentangled some aspects of service delivery. However, a liability remains with the transfer of a greater share of the cost of income redistribution programs on to the property tax base, such as welfare, social housing, child care, public health and ambulance services.

This decision of the province signalled a fundamental shift in taxation policy, and one that is contrary to the accepted taxation principle that income distribution costs should be borne through pre-tax income tax revenues rather than after-tax property tax revenues.

As Professor Harry Kitchen explained in a recent report on taxation released by the C.D. Howe Institute, "A municipality's taxes should fund the range of local services enjoyed by its own residents, but not redistribution of income or benefits that spill over on to neighbouring communities, commuters or visitors."

Until now, municipalities have been able to absorb welfare and other social services costs, as good economic times and the provincial commitment to get Ontarians back to work resulted in a decrease in overall welfare caseloads. The program has been effective during the economic boom, but we have known all along that this situation could change as economic conditions invariably change.

Now that the economy is clearly slowing down, our worst fears may be realized. We hope that welfare costs will not increase by \$1 billion as they did in the last economic downturn. While the government made a commitment that the local service realignment and community reinvestment funds would be adjusted if costs went up, this financial arrangement is at best tenable; it certainly is not predictable.

Unlike the early 1990s, this time around we also have responsibility for the management of the social housing stock. There are many debates about the state of that stock and whether the \$58 million earmarked by the province for future social housing capital funding will be enough to manage the exposure. It is clear that this year's

rise in heating bills for these units in itself will put a significant new pressure on operating budgets, illustrating the exposure municipalities face.

Then there is the pressure to find ways to build more affordable and subsidized housing to help deal with the waiting lists that already total more than 100,000 people. Municipalities cannot afford to be involved in rent subsidies. Assuming a subsidy level of \$10,000 per unit, which is probably low, it would require \$1 billion to meet that need. This represents an additional 25% of the \$4 billion capital investment municipalities made in 1999. The municipal tax base is simply not capable of the flexibility to absorb such surges in expenditures.

The second impact is the cost of downloading. There is much discussion on whether the 1998 transfer of services was revenue neutral or not. While we can debate this, and we can put a whole lot of auditors on the trail, there is one simple fact that cannot be ignored: some municipal local service realignment costs are higher than what the province had factored. For example, municipalities must pay provincial sales tax on equipment and services that the province did not. These costs have not been included nor have they been waived, but perhaps this is something that should be considered.

Different labour and insurance frameworks exist for municipalities, including WSIB, liability and arbitration, which have resulted in additional municipal government costs.

The transfer of the administration of provincial offences has meant that many municipalities have had to build new court facilities, which also is not reflected in the LSR, and the POA revenues have been overstated.

On their own, these things are not difficult to fix. Fixes would be helpful. What may be more challenging is getting a handle on the continuous trickling of downloading through new programs and imposed service standards. These continue to impact our costs. For example, municipalities will have to bear the added cost of the new policing adequacy standards, which establish very costly training and staffing requirements. The new drinking water regulations have a significant effect on operating costs. We have yet to be told that there will not be new costs passed on as a result of the government's Blueprint initiatives relating to Ontario Works. We know that standards for the replacement and maintenance of flood control structures are on the horizon.

While we can debate the merits of new programs or standards from a public policy perspective, there is one simple fact: the cost of implementing them has not been factored into either the LSR or the community reinvestment fund formula nor accompanied by new revenue streams. There seems to be a presumption of fiscal capacity.

The provincially approved process for new initiatives or standards does not appear to evaluate or appreciate the cumulative impact or capacity of a municipality to implement any new program or standard. It does not give any flexibility for how the initiative relates to other priorities of the communities. When you consider that up



to 50% of a municipal operating budget is directly mandated services and standards, it is understandable that municipalities feel defenseless.

A final area that has not been adequately addressed by either the federal or provincial governments is the need for continuous financing to support the expansion and regular maintenance and repair of municipal infrastructure. Both levels of government have, for all intents and purposes, withdrawn from the capital infrastructure business. The cost of rehabilitation and replacement of Ontario's roads, bridges, water and sewage infrastructure over five years has been estimated at \$21 billion.

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While Ontario's portion of the federal infrastructure funding totaling \$680 million is welcomed, we do not feel that Ontario is getting its fair share. The Ontario economy is responsible for infusing 43% into the federal revenue stream but only gets back 30% of all federal expenditures. This is clearly unbalanced. It is not an overstatement to say that the economic future of Canada is largely dependent on the quality of infrastructure in Ontario. The federal government's contribution to infrastructure costs must reflect that reality, and we will continue to press them on this. We hope we have your collective support in that regard.

At the same time, it is important that the provincial government get back into the infrastructure business. The nature of direct provincial financial support for infrastructure in Ontario has fundamentally changed since the creation of SuperBuild. There is no sustained, dependable, dedicated financing system available. SuperBuild initiatives are designed to be competitive and establish selective strategic investments. While this approach has merit and will facilitate economic growth, it is not going to go as far as needed. The SuperBuild approach cannot possibly address the long-term, sustainable financing infrastructure needs of Ontario municipalities and the people of our province. The submission sets out a number of examples of the challenges, from transit to roads to water and sewer. I know others have appeared before you offering similar examples.

The Premier recently identified three principles for smart growth in Ontario: a strong and efficient economy; strong communities and neighbourhoods; and a clean and healthy environment. If we are to achieve these principles, we need a sustained and predictable approach to building and fixing Ontario's infrastructure.

What does the municipal sector need in this budget? In the face of continued downloading, mounting municipal costs and signs of an economic slowdown, municipal financing is at its most vulnerable in decades. The number of municipalities facing the need for tax increases and debt financing has grown, and the trend will continue if we do not deal with these threats to the financial health of our municipalities.

Improved provincial competitiveness at the expense of municipal competitiveness is not a desirable outcome for commercial, industrial and residential taxpayers of Ontario. It leaves Ontario communities, and the province

as a whole, at a competitive disadvantage to other provinces and surrounding jurisdictions.

Clearly, continuous debate over the legitimacy of our respective financial figures relating to downloading through the local service realignment will not lead to a satisfactory resolution of this matter. And if I might make a personal observation, I believe it is a mug's game and does not serve the people of Ontario.

The time has come for the province to honour the sentiments expressed in 1998 that income redistribution programs should more appropriately be funded through provincial revenues. We were told that when the province's fiscal house was in order, then it would be the time to address the risk associated with income redistribution programs on the property tax base.

We think that time is now. While the growth projections are lower, provincial sources of revenues are still growing much faster than municipal property tax bases, supplemented by user fees. In 1999, our revenues only increased by 2.3%, while provincially the deficit of \$2.4 billion became a surplus of almost \$15 billion in 1999. The surplus this year is pegged even higher.

Ontario taxpayers expect a plan. We need a plan. Purposely, we have not brought a detailed proposal, but rather an offer. Let us work together to build a plan that continues the financial uploading of some of the social and community health programs, including education and the farm tax rebate. We know that any such plan must work within the provincial fiscal reality, that incremental change will be needed. Municipal governments can live with evolution, but we need a plan to see that progress is possible.

This will offer us the chance to take a fresh look at the actual outcomes of the LS realignment transfer. Some of it was good and we should not lose sight of that. We are confident that we can begin to build on the work to date and arrive at a more sustainable and stable provincial-municipal financial relationship. While such a plan may take some time, it will certainly take partnership. This must be a priority for both orders of government.

In the meantime, the risk of increases in welfare costs and other social services is immediate. What can be done in the interim? We ask that the province commit to an insurance plan—a capping plan of sorts—that recognizes the employment support approach of Ontario Works. It must also recognize the related pressures that any economic slowdown places on social housing and child care.

A clear signal to municipalities that the province will work with us in designing such an insurance plan would go a long way to lessening the immediate municipal anxieties. Together, we are capable of designing an effective safety net for property taxpayers.

A second component of a more sustainable financial relationship is to realign sources of tax revenue with the level of government that is shouldering the burden of the cost of transferred responsibilities. Programs such as SuperBuild and federal-provincial infrastructure agreements come and go. They have particular priorities which

are valid and important but lack the strength and dedication to continue to build a strong and vibrant Ontario.

If we are to meet the urgent challenges of quality infrastructure, now is the time for the province to dedicate a portion of the provincial tax revenue to ongoing capital infrastructure financing. We ask that you reconsider redirecting a portion of the almost \$3 billion collected through gas and fuel taxes to municipal infrastructure. It is an approach that is used in other provinces. It is an approach that can work in Ontario. Dedicated resources for our core infrastructure like roads, transit and bridges, unlike special dedicated programs, will not distort municipal funding priorities. It will not impinge on public-private sector partnerships that have a stronger interest in larger, interregional projects.

The municipal sector, on behalf of the property taxpayers of Ontario, needs a commitment from the province that there will be no additional downloading of costs to municipalities of either a direct or an indirect nature. Saving targets, if imposed on line ministries, must not result in new mandatory programs or standards being prescribed for municipalities.

Should any new provincial initiatives be imperative for clear public health and safety reasons, then they should be vetted through a provincial-municipal committee. This committee should have an overview of all downloading costs from across the government, and will be able to best judge the cumulative impact of additional downloading responsibilities.

In conclusion, I am confident that with the proper forum we can work together to reduce financial instability or spiking exposure to municipal governments and residential property taxpayers. I am confident that working toward a capital investment process will ensure Ontario and its municipalities remain competitive. By looking ahead, we can improve the provincial-municipal relationship. We share the same constituents. They expect us to work together to solve today's problems with an eye to the future. AMO and its membership are ready to move forward on a renewed partnership. We're hopeful that the provincial government has a similar focus.

Thank you for this opportunity to share with you AMO's perspective on what the municipal sector, on behalf of our mutual constituents, needs in the next budget.

**The Chair:** Thank you very much. We have two minutes per caucus, and I'll start with the government side.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation. Just before I ask my question, to clarify, on your page 6, where you stated, "In 1999 our revenues only increased by 2.3%, while provincially the deficit of \$2.4 billion became a surplus of almost"—you have here "\$15 billion in 1999." That's inaccurate. According to our Ontario budget 2000, in 1999 it should be \$700 million, if I'm reading this correctly.

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**Ms Mulvale:** I take the point, if your numbers indicate differently, but I think the illustration is clear that the

deficit became a surplus and that there are added revenues that you have that we clearly do not have. So, whereas we can jog back and forth on the precise numbers, the illustration is that you've gone from a deficit to a surplus. There's still momentum.

**Mrs Molinari:** I understand that. I just thought it was possibly a typo in your presentation.

**Ms Mulvale:** Pat Vanini will take note. If I have mis-spoken, we'll go back. We certainly do not want to use numbers in our presentations, which we make continually across the province, that are inaccurate.

**Mrs Molinari:** My question—

**The Chair:** I'll give you one minute.

**Mrs Molinari:** Your presentation, representing all of the municipalities in Ontario, is truly appreciated. We've heard from various municipalities on an individual basis about some of the challenges they're facing, and some have been able to make decisions that have not needed to increase taxes. They've been more efficient and more able to manage their finances.

My question to you would be: representing all of the municipalities and having a clear vision of what's happening in all of Ontario, out of all the recommendations you've made here, which one would you say would be the most crucial at this point in time that you would like to see implemented by this government?

**Ms Mulvale:** I believe, first, the interim would be a capping of the exposure on the welfare issue. That's clearly a major concern because of the economy. Second, a means to move to the uploading piece. Premier Harris, when newly elected, spoke to the first AMO conference making it clear that he agreed with us that after the deficit was dealt with and your operating budgets were put into play, there would be an action to relieve the property tax base, which is paid for in after-income-tax dollars, of those exposures. We believe the vision that was in your government at the beginning is the right vision and we need a way to start proceeding on that. It takes that exposure away and gives the capacity to the municipalities to get down to their core businesses. They can still deliver those services, but they should not be funding those services.

I hear what you said about municipalities that have been able to hold the line without increases. We're certainly seeing that the capacity to do that is virtually exhausted now. We've had a decade of social expenditure control plans, social contracts. We've worked with the three provincial governments during my 12-year tenure. There is an end to what can be achieved. Remember that some municipalities have growth and others don't. Some municipalities have different cycles of collective agreements. So it is not totally constructive to compare municipalities year to year. You might see the one that didn't have an increase in 1999 have a bigger increase. You will note that Toronto managed not to have increases, and the chickens have come home to roost. They may have delayed capital expenditure, they may have been lacking in prudence in transferring money from operating to capital, and then you see a huge spike. Most of us try to have a straight line—



**The Chair:** Thank you very much. I have to go to Mr Kwinter.

**Mr Kwinter:** Thank you very much for your presentation. It would seem to me that with the downloading that has already taken place plus potential mandated downloading, unless there is sufficient funding to accompany that downloading, what you really have is one body telling the other body, "This is what you must spend your money on, and you're going to have to find the money somewhere." Is that what you're implying in your presentation?

**Ms Mulvale:** We've made it clear that our observation is that 50% of the consumption of the budget municipally is by mandated services. So if those mandated services grow beyond that 50%, what we saw in previous recessions was that it takes away the discretion. Many local municipalities delayed dealing with their local road needs because they had discretion. It was not a discretion they welcomed, but they had an obligation to meet that mandate.

Just as the federal government downloaded some of their responsibilities to balance their deficit on the provincial government, and the provincial government is being successful in repatriating some of those health care dollars, we believe now that since the provincial government has no operating deficit, they should work with us, take back some of those funding responsibilities and give back the proper creativity and role to municipal governments to meet the local needs of the municipal property taxpayer.

**Mr Kwinter:** And of course you have the unfortunate position of being at the bottom end of the tax chain, so the only people you can download on to are the taxpayers.

**Ms Mulvale:** That's true, and remember again—I've said it twice before, but it bears repeating—municipal property taxes are paid with after-tax dollars. The C.D. Howe Institute is beginning to understand, the Ontario chambers of commerce and the federation of small business all understand that putting exposure on to the property tax base is inappropriate and counterproductive to the sustainability of community and the economy in terms of the municipal contribution.

**Mr Christopherson:** An excellent presentation, Your Worship. It's good to see you again; a neighbour just down the road from us. I was really glad you put the quote in there from C.D. Howe, because those of us who have served at the local level certainly don't need a PhD in economics to understand that leaving the property tax base vulnerable to increases that are especially out of whack with what's happening at the provincial government is just a recipe for disaster.

It's been noted by presenters, and you've shored it up, that a lot of municipal governments, because they had to cope with the pressures, have delayed a lot of spending. As you put it, those chickens are coming home to roost.

It's interesting that the Canadian Manufacturers and Exporters came in and they outlined property tax. Virtually every group that comes in on the macro scene talks

about keeping property taxes under control, yet given what we have right now, if the government goes through with the tax cuts they've planned, without even accelerating debt repayment—and then there's pressure and we hear some of the members of the government side saying this is their new hobby horse. It wasn't before, interestingly enough, when they had the money; it was tax cuts that were the priority. Then they increased the debt to give the tax cuts. Now the debt suddenly is the biggest priority of all. Notwithstanding that, though, they're likely going to be in a deficit position. The only way they can balance the budget and put in their tax cuts is to cut spending.

Again, I've sat at the cabinet table; I know, as soon as you look at the dollars, the MUSH sector is your biggest sector in terms of transfer payments. You could be in for further cuts.

I just want to point out, for those of you who think all of this debate is happening in a vacuum, that last night in Hamilton there was a 15% increase in water and sewer rates, not because they wanted to raise taxes, but because you've decided that you're going to continue to go around bragging—the government—that you've cut taxes and, "Isn't it wonderful," and business comes in and sings the praises. But where the rubber hits the road, things still have to be paid for.

I want to ask you about the issue of the tax cuts. If it means the difference between going into deficit or not, should they put those things on hold? Is it a bigger priority to deal with the pending pressures that are on all municipalities?

**Ms Mulvale:** I'm astute enough to know that there are all sorts of figures on whether the downloading was revenue-neutral and there are all sorts of figures on whether a tax cut will or will not put the government into deficit. I do not have those numbers.

Clearly, we're here to say that the municipal level of government is a fundamental part of the well-being of this province. We're here to say this government has succeeded in getting a restoration of health care dollars from the feds. We think the time to look at a new funding relationship between the province and municipalities is here. I do not have the background to comment on whether the tax cuts, if they are implemented, will drive the province into deficit or not. So I understand the bait, but I am not taking it.

**Mr Christopherson:** Oh, no, I didn't mean it that way, Your Worship. I regret that you took it that way.

**The Chair:** On behalf of the committee, thank you very much for your presentation.

**Mr O'Toole:** Mr Chair, if I may, I would like to ask, with the permission of the committee, a question to be filed or responded to, though the Chair, by AMO in response to the GTA position on forming a transportation authority. What is AMO's position on that? If you want to file that—

**The Chair:** I think you should probably file it with the committee, because we're out of time.

**Mr O'Toole:** It's a very important issue.

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## ELEMENTARY TEACHERS' FEDERATION OF ONTARIO

**The Chair:** Our next presentation is from the Elementary Teachers' Federation of Ontario. I would ask the presenters to come forward and state their name or names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Ms Phyllis Benedict:** Good morning and thank you, Chair. My name is Phyllis Benedict. I'm president of the Elementary Teachers' Federation of Ontario. With me this morning I have my general secretary, Gene Lewis, and executive staff officer, Barbara Richter.

The Elementary Teachers' Federation of Ontario represents 65,000 teachers and education workers in elementary public schools across our province. Our members work in 37,000 classrooms in over 2,500 schools and they teach more than 900,000 children. ETFO is proud to represent the interests of public elementary students and teachers and to promote and protect the public education system.

Last year we came before this committee and we addressed the funding needs of elementary students and teachers. We were pleased to see that the resulting budget recognized some of our issues with funding enhancements to primary class size, special education and literacy. Buoyed by the government's recognition of this need for enhanced funding to elementary education, and particularly to the early learner, we come before this committee again this year with an investment strategy designed to ensure the success of our mutual goals.

ETFO and this government have had differences of opinion. Nevertheless, we do have a major goal in common: the current and future success of the students in our care in Ontario's education system. How we measure the current success, whether it be through standardized testing or through subjective and individual criteria, or a combination of both, will be the subject of continued debate. How we measure future success provides more ground for commonality. We both want today's students to become good citizens, to participate in the democratic society, to contribute to the economic well-being of the province and to lead lives they consider healthy, rewarding and fulfilling.

There are many factors that contribute to the way their lives unfold. The foundation we provide students in their elementary education, particularly in their early years, will influence what happens to them in later life. Through smart investment of our financial, material and human resources in these critical years, we can do our part to help our students succeed. Added benefits will be long-term savings to our province that boost our economy.

Whether our students choose to become doctors, lawyers, lathe operators, truck drivers, teachers or even the Treasurer of Ontario, they require basic tools, skills and attitudes for success. Writing a business plan for a new company or a doctoral thesis for an advanced

academic degree or even a letter to a friend, or reading an instruction manual, all require basic literacy. The ability to read and write, no matter the context or the career path, is essential to a successful future in today's society. Numeracy skills are critical to building success in today's society as well, and these go beyond memorizing multiplication tables or getting through long division. It means having the ability to figure out how to work with figures, how to solve problems.

Continued enthusiasm about learning is a third key to success. Whether it's through formal education with degrees and diplomas, retraining or upgrading to improve job skills or learning how to glaze pottery, a love of learning and a passion and inquisitiveness for exploring the new and the unknown are essential to lifelong learning, to good health and to success. Where do our students get these tools: literacy, numeracy and the passion for education? Who pulls it all together? Family, friends, the media and their formal education. Educators impart the love of learning that can grow and blossom through a lifetime.

How do we make it happen? There are ways we can ensure that our students gain effective literacy and numeracy skills and acquire that passion for learning and develop as caring, responsible citizens. We make it happen by serious investment in our early learners, in smaller class sizes and in a system that is rich in human and material resources. Last year the government began an investment program and this year we call again on the government to turn that investment into a long-term commitment.

The research on class size is clear: investment in small class sizes, particularly in the early years, results in improved learning for students, improved test scores in literacy and numeracy and cumulative benefits for both the student and society. The research is there before you.

The Tennessee Student-Teacher Achievement Ratio, the STAR project, showed that students in small classes in kindergarten through grade 3 performed better in reading and mathematics tests than their peers in larger classes. When they returned to regular classes in grade 4, they were six to nine months ahead of students from larger classes, and by grade 8 they were one year ahead.

The Student Achievement Guarantee in Education, the SAGE program, conducted in Wisconsin from 1996 to 1998, found that kindergarten and grade 1 students in classrooms with a student-teacher ratio of 15 to one achieved greater increases in test scores in language arts, reading and mathematics than their counterparts in larger classes. The advantages were maintained in their second year.

California has had an initiative to reduce kindergarten to grade 3 classes to a maximum of 20. However, off to a rocky start, the financial investment is starting to pay off. Those students who are now in grade 3 are showing achievement gains in mathematics and reading scores.

Research also shows that students who start their education in small classes are less likely to drop out, more likely to graduate on time, take more challenging



courses in high school and more likely to attend college than their peers in larger classes. They participate more in school and have fewer discipline problems. They have more opportunities to work on problem-solving and take on responsibilities.

Teachers in smaller classes can cover the curriculum faster and in greater depth and provide earlier identification and intervention for learning problems.

Our minority students and inner-city students gain from smaller class sizes.

Is this an expensive initiative? Yes, but smaller class sizes, though they cost more money, have long-term benefits to our students. That is no longer debatable.

Last year the government invested \$100 million to reduce primary class sizes to an average of 24. This was a first step in the right direction. We believe that all elementary class sizes, from junior kindergarten to grade 8, should be reduced, but, as a minimum, the next step must be a long-term commitment to reduce primary class sizes and an action plan to implement that commitment. We want the initiative to be successful, and that requires long-range planning. We need the spaces, the teachers and the resources to implement smaller class size. If this government would invest new monies to achieve reductions in primary class sizes in each year of its mandate, Ontario would see the results very soon.

We need specialist teachers. That is another successful investment strategy in funding. Our members report that there has been a reduction in specialist teachers since 1998-99. We have fewer teacher-librarians, special education teachers, English-as-a-second-language teachers, music teachers and physical education teachers. These are not frill teachers; these are teachers whose specialties contribute significantly to literacy and numeracy skills, as well as giving our students a love of learning.

Studies have shown that student literacy improved in schools with well-equipped and welcoming libraries staffed by teacher-librarians working in partnership with classroom teacher colleagues and students.

A Colorado study found a direct correlation between higher test scores and the quality of the school library, regardless of the socio-economic status of the students in the community. The size of the library staff and the variety and size of the collection were predictors of achievement as well. It also found that when children have access to interesting reading material, they do read, even without the promise of rewards, burger coupons or movie passes. The quality of the school library was among the predictors of higher reading achievement scores in the National Assessment of Educational Progress for fourth-grade reading in 41 states in the United States. There is a disparity in our province about the access that our children have to books because our school libraries have been so drastically reduced.

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Based on a school-based survey by ETFO last year, we saw that there was a 22% cut in teacher-librarians. The People for Education Tracking Report 2000 saw that only 68% of our public elementary schools reported

having a teacher-librarian and, of that, 18% were full-time. These statistics must change if we want to make a difference for the children of Ontario.

With special education programs, teachers make the difference between lifelong success and lifelong struggle. We do appreciate the government's flexibility in seeking ways to improve special education funding. The enhancement to primary student funding was a good first step for a longer-term investment. Providing additional human resources for early identification, intervention and program development will be effective for student achievement and cost-effective for investment planning. Although these programs will pay for themselves in measurable savings in later, more costly remediation efforts, expensive tutoring and even social programs, the security they can bring to a child's future is priceless.

Investment in more teachers and programs for our ESL, English as a second language, will reap its rewards for our students and, more important, for our province. Ontario welcomes a diverse population but our welcome must be supported by commitments to ensure the success of our young people. Although the government-enhanced funding in these programs last year, they did not change the method by which students qualify.

Teachers and principals know that many of the students who are enrolling in their schools from families where English is not spoken as a first language are at a disadvantage. If we're sincere about our commitment to literacy, improvements in this area are fundamental to the success of our youngest students.

Programs for children at risk: public education is society's equalizer. Regardless of the socio-economic background of our students, our public education system must give the appropriate supports and extra assistance that students at risk need to succeed. In this budget, we call upon the government to take the next steps: to continue and even enhance its financial commitment to provide specialist teachers and programming in the elementary panel.

Smaller class sizes and a system that is rich in human and material resources are two major investments in our students' future success, and there is another investment: in junior and senior kindergarten programs. The government's own Early Years Study recommended resources for early learners. The Education Improvement Commission recently recommended a further \$1-billion investment in full-day junior and senior kindergarten. The government has yet to respond.

ETFO's commitment to the early learner extends beyond the walls of our own classrooms. High-quality, licensed child care is a vital component of our early childhood education. Research points to the importance of greater integration of children's services and to the benefits of school-based child care. Another good investment is restored funding for child care services and spaces in our schools.

We want our education system to be the best it can be. An important component to the system is its teachers. We are calling upon the government to make investments in

education that will require more teachers, well trained, with adequate supports and resources. At the same time, a teacher shortage looms. One way to attract and maintain teachers in the profession is through adequate compensation levels, good working conditions and appropriate supports, including professional development opportunities.

In conclusion, this government has stated its commitment to the success of our students, and we at the Elementary Teachers' Federation of Ontario share that commitment. One of the government's strategies to achieve that success is improving the literacy and numeracy skills of our students. We concur, and we add to that skill set the need to instill a passion for learning in our students.

The government has also stated its commitment to the early learner, and we also share that commitment. The government has begun to demonstrate that commitment in some more practical initiatives. Much more, however, is needed to ensure the success of our students.

In our brief we have outlined an investment strategy for this government, a strategy that complements the government's commitments and that ensures literacy and numeracy skills for our students, that enhances the present and future lives of our students, and this will result in long-term societal benefits and savings to the Ontario taxpayer. It's an investment that could reap more benefit for our students and the economy than a simple tax cut. Where could you find a better deal? Investment in our elementary students is the most successful financial strategy in today's market and tomorrow's economy. It's not just the right thing to do, it's the common sense thing to do.

I refer you to the seven recommendations that are found at the end of our presentation.

**The Vice-Chair (Mr Doug Galt):** We have just barely three minutes for each caucus. We're starting with the official opposition.

**Mr Kwinter:** Do you have the figure as to what the illiteracy rate is in Ontario at present?

**Ms Benedict:** No, we don't. Sorry.

**Mr Kwinter:** I know that at one time when I was in government it was an astounding 24%. I was just curious to know whether that's changed. Do you have any idea as to whether—I mean, even ballpark?

**Ms Benedict:** We could find it out. We don't have it with us today.

**Mr Kwinter:** OK. One of the things we have found—as you probably know, we've been on the road and we've been listening to groups. We've heard from elementary teachers, and one of the major concerns that they've expressed to us—and it isn't reflected in your presentation—is the average class size. The government has invested \$100 million to reduce primary class sizes to an average of 24. That works out fine on paper, but the practicality is that some schools in some rural school boards have relatively few students and in order to get that average you can have 28, 30, 32 students in another class. Someone gave what I thought was a very dramatic

example when they said that if you take 32 five-year-olds and put them in your house for the day, try to teach them, try to keep them under control and try to have a meaningful educational experience with them, you'll know what it's like. Do you have any comment on that?

**Ms Benedict:** We also do an internal survey with our members to see what they are experiencing in their classrooms, and their comments echo the ones that you have made, where we have seen that there has been a very small reduction in the primary classes. They're not back yet to what they were in 1997 and 1998, at a time when the government accused the teachers' unions of bargaining class sizes upwards. So we're not even back to what they were in 1997-98.

Parents have spoken to me on numerous occasions about walking into their child's classroom and being surprised to find in excess of 24 or 25 children—indeed, many of them are over 30—and saying, "The government said." If we had maximum class sizes, not board averages, then we could see the teachers do the incredible jobs that they try to do under the circumstances now. Again, who benefits? The students of Ontario.

**The Vice-Chair:** We'll move on to the third party.

**Mr Christopherson:** Thank you very much for your presentation. It certainly is very consistent with what we've heard in each of the locales. I think you have every reason to provide an umbrella view that reflects what you've said here. It's certainly sustainable by what we've heard in other communities, once we go out there and listen to the teachers on the ground in the various communities.

I have a comment and then a question. The comment is, I would strongly recommend you get the Hansard for the presentation that was made this morning, first off, by Hugh Mackenzie, who talked about the projected outcomes of where we're going to be vis-à-vis a possible deficit position with regard to the budget should the government, under different scenarios, keep their tax cut plan in place and go ahead with it or not do that and then they factor in the economic forecast; whether it's going to be the so-called soft landing or getting closer to the hard recession.

Anyway, what it all points to is that other than one scenario, which is that they don't do the rest of their tax cuts and we get a soft landing, which is not likely—the soft landing is questionable, given what's currently happening. They put all their reliance on the tech side of things—it was fascinating that he made that comment—and then, of course, the bottom fell out of Nortel and we haven't heard too much about that "the tech side's going to save us" scenario. And I doubt very much they're going to back off from their tax cuts, even though it would be the wisest thing to do. That means they're going to be into a deficit position and the only way they can deal with that, whether or not they go after the debt in a renewed fashion, is to cut spending. You're going to be on the front line just like municipalities were prior to you when AMO was in here.



1220

So I would ask you to take a look at that and get ready, as opposed to trying to argue, "There's a billion dollars; where can we best put it?" I think we're back into trying to hold what we've got and we ought to be very fearful of the future in terms of what the numbers are going to tell this government and how they'll react ideologically.

My question is on an entirely different matter, but one that's caused me to do a lot of thinking about it. I haven't changed my position at all, but it's something I think we all have to keep an open mind to and keep thinking about things. I'd like to know the position of ETFO with regard to the vouchers and the charters notion of schools. I understand, macro, you're probably opposed to it, as I was and remain. But it's interesting that the argument we heard yesterday in London very much talked about those of us who are in my mindset, if you will, and these are my words, but sort of, "Give your head a shake. The demographics have changed. You need to look at it differently than you have in the past. If you want to see examples where it works and it doesn't fragment the province or the population, take a look at other provinces," which I'm going to do to see what the experience has been there.

Your thoughts on that? Because with such a diverse population and it becoming even greater and much of the world looking to Canada as to how you deal with so many cultures and religions and values, how you come to grips with that, this is a major issue for us to deal with. If we stay the course, we've got to have good reasons why we should, or those who are arguing "Give your head a shake and rethink it" maybe should prevail in the absence of those kinds of responses. Just your thoughts on that, because it's a really crucial issue.

**The Vice-Chair:** Thank you, Mr Christopherson. We'll move on to the government side. You used three and a half minutes.

**Mr Christopherson:** Thanks for cutting me some slack. You should take a lesson from your Chair, Vice-Chair.

**The Vice-Chair:** I could have cut you off at three minutes, but I gave you the extra time.

**Mr Christopherson:** The Chair earlier gave the Tories an extra minute and that was fine, because he used a little flexibility. We do fine until you get in the chair.

**Mrs Molinari:** Do I have the floor, Mr Chair?

**The Vice-Chair:** Yes, you do.

**Mrs Molinari:** Thank you very much for your presentation. I certainly appreciate the tone in which you've presented. You've highlighted a number of common goals just in your beginning statement, recognizing the fact that we do have a major goal and it is a common goal, and that is to do what's best for the students in the province of Ontario. Although some of what we've heard in the past—it's nice to know that it's a recognition that that is in fact the common goal. We have a difference of opinion on ways to achieve that, but I appreciate the fact that you recognize that.

I have a question, but first some comments on the presentation that you've made. You talked about smaller class sizes and the benefits of smaller class sizes for the students. For the first time ever, this government has actually set maximum average class sizes for both elementary and secondary. In the past, there wasn't a cap and so, as was stated, it was negotiated as to what those class sizes would be. I was just reading in some of the clippings a newspaper article today about one board that cut 400 jobs for an 8% pay raise. I'm not saying that has a direct correlation to that, but certainly 400 fewer jobs in a school board means the class size would increase much more. At least, that's one possibility. But because there is a set average class size, obviously, it can't go beyond that.

You also talked about special education and some of the challenges and issues around that and also mentioned some of the initiatives this government has taken to move toward the improvement of that. Special education is ever-evolving. It's the special children that we serve, that you serve as teachers. There aren't two that are identical and alike, so the special education funding formula needs to be reviewed consistently and constantly. The minister is always seeking input from those who are in the field as to how better to improve the way we serve our most vulnerable students.

You also talked about specialist teachers and the importance of that. I firmly agree with the benefits of having specialist teachers in the classroom in the schools to assist students in the areas of specialty. My question to you is, how would you feel about specialists within the schools not necessarily being teachers: artists who could come and teach the arts but are not necessarily teachers with a teaching degree, technicians for computer studies who could be in a school and offer that type of service while not necessarily being teachers? Could you give me your views on whether your organization would accept such a different individual as a professional in the school to assist students in those specialist areas?

**The Vice-Chair:** On behalf of the committee, thank you very much for your presentation. She similarly used three and a half minutes. My apologies, but time has run out; the full half-hour is up. We appreciate your coming before us.

**Ms Benedict:** Thank you. I would respond in writing to your questions if you'd like to receive the answers.

**Mr Kwinter:** On a point of order, Mr Chair: Could we have legislative research find out what the literacy rate is in Ontario, the number of illiterates?

#### TORONTO BOARD OF TRADE

**The Vice-Chair:** Our next delegation is from the Toronto Board of Trade. Welcome, and thank you very much for coming forward to present to us. You have a total of a half-hour for your presentation, and what's left over after your presentation will be divided equally among the three parties for questions and/or statements.

**Ms Kerrie MacPherson:** Thank you very much, Mr Chair. My name is Kerrie MacPherson. I'm the chair of the Toronto Board of Trade. With me today are Elyse Allan, president and CEO of the board, and Helen Burstyn, the chair of our finance and economic affairs committee, which did all the hard work preparing our submission to you today.

Thank you for the opportunity to present our priorities for the 2001 Ontario budget. We are pleased to be here today representing Toronto's business community. The Toronto Board of Trade represents all sizes of businesses, with members across all sectors of the economy.

Our presentation today will provide the committee with an overview of what we believe are the most pressing priorities for Ontario for the next fiscal year. We believe the Board of Trade offers this government a strong framework for action in an area that is growing in importance to all levels of government.

In short, Ontario must acknowledge the importance of urban centres to provincial prosperity through strategic reinvestment. This is a platform in which our board of directors strongly believes; it is a platform supported by our members.

The Toronto region, Ontario's largest urban centre, accounted for almost half the province's GDP and employment in 2000. Some 57% of Ontario's net job gain took place in the GTA. Our region is a leading centre for industry clustering, particularly in sectors vital to the new economy such as IT, telecommunications, new media, biotechnology and pharmaceuticals. Quite simply, our cities drive economic growth in Ontario.

The Toronto Board of Trade believes that Toronto, Canada's only city capable of being a world-class competitor and growth driver, is in a state of decline. The Ontario government must take a leadership role in stemming this slide. Our government must take action to make cities and city regions more competitive. Merely holding the line is not enough, as we are slipping behind as our competitors move ahead.

At a time when economic growth is slowing and when some of our leading employers are announcing significant layoffs, the province must take the necessary steps to shore up the economy for our future. The Toronto Board of Trade believes Ontario's best driver for strong economic growth is a competitive Toronto.

1230

Our 2001 Ontario pre-budget submission outlines three key areas for action:

First, cities such as Toronto must be given the governance tools they need to meet the unique challenges of a large urban centre;

Second, investment in infrastructure must be made to make our cities internationally competitive;

Third, and most important, Ontario must continue to provide a competitive fiscal environment in which to live, work and build wealth.

Essentially, our message is twofold: we are urging the province to invest in our cities directly, indirectly and through partnerships, and we are calling for greater flexi-

bility for municipalities to give them better management tools.

I'll now hand over to Elyse Allan, who will provide you with the highlights of some of our recommendations.

**Ms Elyse Allan:** In the past few months, we have seen a rising level of tension in the working relationship between the city of Toronto and the province that has been counterproductive for Toronto. The service realignment issue raised a bigger question than who pays for what; it goes to the heart of an issue that has dogged provincial-municipal relations for decades. It's the issue of how municipalities, particularly large municipalities, can manage or raise resources effectively when they are tied to the apron strings of the province.

When we look around the world at some of Toronto's major competitors, there is a striking difference. Other international cities have financing tools available to them that provide increased planning capabilities to grow strategically. Given that Ontario's cities are creatures of the province, Toronto does not have access to similar vehicles.

This is exactly what has encouraged the charter city debate. While enacting charter status for Toronto is an extreme action, we do feel that the arguments resting at the base of the debate carry some merit. Toronto is not comparable to other municipalities in Ontario. In fact, it is not comparable to most cities in North America. It is larger in population and GDP than six other provinces, but it can't form business corporations, it can't use secured debt, it can't sell a business unit without having successor rights apply—something the province in fact can do—and it is also limited in its ability to raise revenue, relying almost entirely on property taxes. Raising property taxes cannot be the solution for solving Toronto's revenue challenges. Quite simply, the city needs other tools that the province can provide.

We realize that asking the province for greater municipal flexibility at a time when our city is facing a \$305-million budget shortfall might not sound prudent. But the board believes it is just this situation that highlights the need for cities to learn how to deal more effectively with urban challenges. To do so, they need better tools.

To provide a measure of assurance to the province and to taxpayers, the board supports the creation of a municipal auditor general function. This would also provide cities with additional strategic advice, review the soundness of municipal budgets and programs, and provide annual reports. As you are aware, Mayor Lastman announced a task force to review such a concept for Toronto last week, and we believe the province should support the concept as well.

On the second issue, that of infrastructure, infrastructure on all levels continues to be a significant challenge for our urban centres. When businesses are deciding to locate or expand in a city, they consider many things: the quality of the labour force, access to professional services, the range of cultural activities, infrastructure and the quality of the health and education systems.



Last fall, the board surveyed its members on a range of public policy issues, including these location decision factors. We found that our members considered access to roads and public transit the top decision-making criterion. Sixty-seven per cent of respondents described it as very important.

Some of you are MPPs from the Toronto area, and so are quite familiar with the increasing congestion levels on our highways, expressways and downtown roads. For others, let me give you a taste. In 70 minutes by car, you can be in Milton or Oshawa. By 2011, driving for that long won't even get you out of the city itself. Gridlock is estimated to cost \$2 billion per year in productivity loss in the GTA. That's also a \$2-billion loss for Ontario. With an additional 2.6 million people expected to populate the GTA over the next 30 years, this is only going to get worse unless the provincial government, in partnership with other levels of government and the private sector, invests in roads and public transit.

Toronto needs a clear financial commitment to the TTC and GO. Strategic investment in transit in particular is vital to limiting urban sprawl, congestion and environmental damage. The Toronto Board of Trade urges the government to invest in public transit to the benefit of all Ontarians and to combat urban sprawl.

Even more important is the need for greater planning coordination of transportation in the GTA. The board of trade strongly supports the Greater Toronto Services Board but believes the GTSB requires increased legislative authority and financial support from the province in order to conduct its business effectively and efficiently.

Another infrastructure aspect that is directly correlated to the liveability of cities is access to affordable housing. The board recognizes the measures taken to date by the province. However, the measures have been targeted largely at emergency shelters or hostel allowances, with little action on increasing the stock of affordable housing. Lack of affordable housing in our urban areas is a significant contributor to the rising level of homelessness. It must be a pivotal part of any provincial strategy on homelessness. The increasing number of homeless people is a condemnation, not only of our cities but also of our nation, still the only country in the OECD without a national housing policy. When downtown city sidewalks and doorways become makeshift shelters for individuals and families who have nowhere else to live, we all suffer a loss of dignity, civility and decency, key characteristics of Toronto which have distinguished it from its counterparts in the US.

Vacancy rates are tightening. For many urban centres, the vacancy rates are between 1% and 4%, with cities such as Toronto and Ottawa below 1%. Having a rate greater than 3% is considered healthy. Our cities are falling far short of that mark. Seventy-three per cent of respondents to our membership survey stated that it was important to build more affordable housing in Toronto, with a majority indicating that federal and provincial governments should lead the way.

The board has taken the same message to your federal counterparts, as we strongly believe that all levels of government bear a responsibility for addressing homelessness. This will shore up not only our economic competitiveness but also our social competitiveness.

I'll close with what the board considers the lynchpin recommendations: the need for competitive fiscal policies to ensure our cities and our province operate in the best economic climate possible in the global arena.

Ontario must establish an aggressive debt reduction schedule. As economic uncertainty circles around us, it becomes increasingly important to demonstrate that Ontario is attacking its debt. The faster Ontario can make substantial payments on its debt, the better able it will be to manage economic slides. It will also ensure that the tax reductions and investment actions taken to date are not jeopardized. We recommend that the government implement a strategy to get Ontario's debt-servicing costs as a percentage of revenues down to at least the provincial average within five years.

The move to fast-track previously announced tax reduction actions is something the board continues to vigorously call for. Our members see corporate and personal taxes as two top competitiveness issues. When asked to choose which tax change would benefit respondents' businesses the most, 33% indicated it would be corporate income tax reductions, followed closely by personal income tax reductions at 29%. Our members have told us quite convincingly that taxes matter to their businesses.

I strongly urge this committee to recommend that the government continue to reduce taxes for businesses and individuals. Corporate tax reductions must be implemented and personal taxes must continue to go down. Tax reductions can stimulate business investment and consumer confidence, two vital ingredients necessary to manage economic uncertainties.

The government must immediately legislate the timeline for implementing the corporate tax reductions. Actual reductions are much more of an investment incentive than proposed ones.

Furthermore, Ontario must move to eliminate capital taxes within five years. Capital taxes represent a singularly unique competitive burden that Ontario's international business competitors in cities like New York, London and Frankfurt do not face.

As a first step, and as a strong indicator that Ontario is indeed open for business, the province must move to eliminate the capital tax rate differential between financial and non-financial corporations in Ontario. This is a tax that is particularly harmful to Toronto, given its status as the country's financial services capital.

#### 1240

We must extend our support to the government for actions taken on business property taxes through Bill 140. Having worked with the province to achieve fairer property taxes for the city of Toronto, the resulting framework met many of our expectations. Of particular importance was the extension of the caps on property tax

increases for business, and the board urges the government and this committee to continue to support this crucial element to property tax fairness.

The Toronto Board of Trade urges this committee to consider and support the recommendations made in our submission to foster urban competitiveness. Our cities, especially Toronto, are at a difficult juncture. While they are not the top-ranked cities in the world, they are nonetheless strong contenders to be at the top, but only if the right investments are made, if the right economic and tax environment is created and if their citizens are engaged in a fulfilling and stimulating urban environment. I believe the provincial government can make this happen.

**The Chair:** Thank you very much. We have five minutes per caucus.

**Mr Christopherson:** Thank you for your presentation. First of all, I want to compliment you and thank you for the support you've given to the need for an affordable housing policy. It has always, for some of us, made sense on every front: on the human front, on the kind of city we want to live in and on the economic front. Your voice wading in with the kinds of words you've used today will be helpful. I want to tell you how much it is appreciated and will help in terms of making that case.

On the other hand, I also want to tell you how gravely disappointed I am that you've raised the issue of successor rights. Again, some of us said at the time the government removed successor rights provincially that this isn't the end of the road, that eventually it's going to spread elsewhere and ultimately it's going to spread into the private sector. If you are successful in making the argument that municipalities shouldn't be encumbered by keeping their unions if they privatize any more than the province should, it feeds that. That's disappointing, because I honestly believe at the end of the day all that's going to be achieved, if there is massive privatization at the municipal level, is a reduction in wages. At the end of the day that's all that will be achieved, because the only way you can really save significant money when you privatize is the dollars.

When the union is gone, many times it's the same employees hired back at \$7, \$8, \$9 an hour less. So that's a loser for municipalities. Obviously you're talking about municipalities. It's the middle- and working-class group of people, who spend their paycheck as they get it to keep their families going, who keep the local economy going. By lowering the disposable income of the biggest group in terms of numbers, all it does, in my opinion, is slow down local economies, slow down growth and it hurts small business. I stand to be corrected, but a chamber group, I think it was, in Thunder Bay even argued that the minimum wage should be increased as a benefit to small business, making the case that of course the money is spent in local small businesses in the immediate neighbourhoods and communities. So I'll leave that. If you wish to comment, that's fine.

I wanted to pose to you the issue that Mr Mackenzie raised this morning. I know you didn't have benefit of

that. He's an economist with the Steelworkers. He came in and pointed out that other than one scenario, where the government didn't bring in their current planned agenda of tax cuts and a soft landing, as it's called, other than that one scenario, we're likely going to see the government in a deficit budget position. If they want to implement the tax cuts, let alone any new, ambitious attack on the debt, the only way they can achieve that and maintain a balanced budget is to cut spending, and that's going to hit the public sector, the MUSH sector. It's going to hit municipalities, universities, it's going to hit all the things that we've been hearing are the economic drivers of why this is still a great place to do business. Can you help me with that? How do you see that one? You're still pushing for those tax cuts. Unless you don't think it will, but under Mr Mackenzie's scenario they're all going to push us into a deficit position and we're going to get more cuts and that'll be a greater drag on the economy. How do you see that working?

**Ms MacPherson:** Mr Christopherson, I'll start and, Elyse Allan, please feel free. I think essentially the fundamental premise here is that what we need to focus on in all of these areas is that we're not simply talking about reducing government spending. We are talking about creating opportunities for the private sector to play a better role, a bigger role, particularly in municipalities as privatization and that sort of thing occurs.

We believe that by enabling those things to happen we can end up with ultimately more money in the economy, coming in more efficiently than it does through government, so that the impact overall is not a negative one.

Elyse, I don't know if you want to add some specifics to that.

**Ms Allan:** With respect to deficit, I would put it on the record that we certainly don't support a return to the position of a deficit. We have applauded the government for getting out of that position and certainly are looking to them to maintain that.

We do, however, believe that as it is your job to sort through the priorities, our set of priorities would focus on how to make Ontario competitive, because we believe that if we can continue to make Ontario competitive, as has been I think a fairly focused agenda, that will pay off for everyone.

We have seen that the impact of the aggressive tax cuts in Calgary and Alberta among our members is proving to be very attractive to the businesses. In terms of looking to want to leave for a more attractive tax area, that is certainly not healthy for our province or for our city. That is a fairly common level of conversation at this point, due to the aggressive moves they've made in taxation, not only on a corporate agenda but also among individuals personally.

**Mr Christopherson:** Is it still worth doing the tax cuts if that does push us into a deficit position?

**Ms Allan:** I would say that the challenge you have is to ensure that we don't move into a deficit, but that you absolutely find the affordability to do the tax cuts.



**Mr Christopherson:** Then that means spending cuts probably.

**Ms Allan:** If that's what it takes, but I would not move away from your tax cut. I think it's critical, from what we are hearing in the business community.

**Mr Doug Galt (Northumberland):** Thank you for your thoughtful presentation and also about Toronto. Once you move outside of Ontario and start travelling, what do they know about Canada—the name Toronto, Vancouver comes second, not the name of the province. Being a provincial legislator, I feel that's rather unfortunate, but nevertheless, it's reality.

Congratulations on your page 7, talking about the linchpin—competitive fiscal policy—something we've been working toward, and also talking about debt reduction.

I want to ask you a question similar to what I asked another group that was here. What do I tell the people in my riding about your request, if I were to vote for extra money to go to your city, particularly when I read recently in the press—I don't mean to be sarcastic here, but this is what my people are seeing—that the mayor and an entourage had to go to Edmonton to see wet-dry recycling, when we have it in my riding and we have it in Wellington? They did not have to go to Edmonton and spend several thousand dollars for that trip.

They read that there's a lack of metered water in Toronto. We get preached to about being environmentally sound in rural and small-town Ontario, when most of small-town Ontario has metered water. I read that they lost three quarters of a million dollars last year because they didn't send out the bills for pet licensing.

You talked about the gridlock on infrastructure. I can tell you, in 1995 when I drove into Toronto there was no gridlock because there were far fewer people working. You talk about affordable housing. In rural and small-town Ontario, the vacancy rate is up.

What do I tell my people? The only answer the other group really said to me was, "If you put money into Toronto, they'll have a nice city to visit." I can tell you, on concession 2, lot 41, in several of the townships in my riding, they don't want to ever come to Toronto—not that they're against Toronto; they just don't like big cities.

There are a few people in my riding who commute to Toronto to work and they appreciate having this place to work. What do I tell them if I were to vote for extra money to go for infrastructure to Toronto?

**Ms MacPherson:** I'll begin, and I'll just add I'm from Timiskaming riding originally, so I understand, "We'd like Toronto to be there, but not necessarily." My folks wouldn't live here if you paid them.

But to the point, I think first and foremost what we have to help people understand is that this is not just about Toronto; it's about Ontario and Canada being competitive. Your point is absolutely correct. You travel around the world and people ask you where you're from. If you say "Toronto," there's no second question. If you say "Canada," you sort of start to go down a list.

Toronto truly is the engine of the economy in this country. We have to, as responsible politicians and busi-

ness people, focus on what we need to do to keep that engine healthy. We're talking about making wise investment decisions; we're not talking about dumping money into a black hole.

**1250**

To your point with respect to some of the particular issues you raised in the city budget, I'm sure you are aware that the Toronto board has consistently urged the city to become more focused on where the money ought to be spent to control spending at the city level and indeed to find savings. Some of the things that you've articulated have been discussed at that level.

In terms of why we have to do it, it's because this is where it starts. If at the end of the day we do all kinds of investment in other places and Toronto withers, it's bad for all of us. It's bad for your riding, it's bad for my hometown. This is where we have to make the investment so that we can, in the longer term, benefit more broadly.

**Mr Galt:** Excellent response.

**Ms Helen Burstyn:** I'd just like to add too that we're not talking just about Toronto, although Toronto is certainly the largest and most prominent economic generator for the country. We're talking about urban centres. We're mindful of the fact that there are other urban centres in the province and in the country that are suffering from some of the same inabilities, both to raise revenue and to keep up with infrastructure needs. So it's more than just Toronto.

We are also keenly aware of the fact that urban centres are more than just the cities. There is a huge spillover effect that goes into the towns and rural areas around them. Those towns and rural areas benefit from advances in the competitiveness of cities. So we're anticipating that there will be some sharing of the benefits of investing in urban centres.

**Mr Kwinter:** It's unfortunate that we didn't get a chance to see your presentation on Investing in Cities: An Urban Competitiveness Agenda for Ontario. I think it's far better than the presentation you made, but time constraints, I'm sure, dictated that.

There's an old cliché, "You can't strengthen the weak by weakening the strong." Years ago I developed a hierarchy of hate for Canada: everybody in Canada hates Ontario, everybody in Ontario hates Toronto, everybody in Toronto hates Bay Street and everybody on Bay Street hates the lawyers.

What you have is a situation where it's almost tragic that we have this opportunity, when you consider that we're the only country in the G7 that doesn't have a tier 1 city and that Toronto is a tier 2 city. It has all of the elements to be a tier 1 city, and the benefits accrue to everybody, not only in Ontario but in Canada.

In the limited time I have, I would like to follow up on a situation you didn't touch on in your presentation but it's certainly covered in the other document. Everybody is expecting that Toronto has a really good shot at the Olympics. That Olympic bid, if it's successful, will trigger all sorts of other things. I believe the Fung report,

whatever emanation it appears in, is not going to happen without the Olympics. I was the chairman of the Toronto Harbour Commission for a number of years. I've seen so many plans come and go that never, ever happened. Unless there's a catalyst—and I think it's the Olympics that would be the catalyst—that will address some of the concerns you have with the infrastructure, some of the concerns you have with the waterfront and some of the concerns you have with the other major infrastructure deficiencies we have, we're not going to get them in the short term.

I'm just curious to know what your response is to that. What is the fallback position if we don't get them? I think if we get the Olympics, lots of things will happen; if we don't, a lot of things are not going to happen.

**Ms MacPherson:** I'm going to ask Elyse to answer that, conscious of the time.

**Ms Allan:** We share your concerns, first of all, with respect to the trade-off that some might have of whether waterfront development happens with the Olympics or without. We certainly believe that the waterfront development for Toronto is a vital infrastructure requirement with or without the Olympics and should go ahead. In fact, our very concern is that there's a perception that they are bundled.

In terms of the Olympics, we are certainly strong supporters of moving the Olympic bid forward and hoping we will prove successful in that Olympic bid because of the additional infrastructure it will bring and, quite honestly, the fact that it will get us the attention of the federal government, which to date has been a challenge for Toronto in terms of attracting focus on our urban requirements. So I think, between the waterfront and the Olympics, that does provide a vehicle for additional investment in Toronto which we desperately need, particularly in this area of infrastructure.

I'm not sure if that completely addresses your question.

**Mr Kwinter:** Yes, it does.

It's too bad my colleague Gerry Phillips isn't here because he loves to wave his chart that shows the inequity in the tax allocation for businesses in Toronto and businesses that are just across the street in either Markham or Vaughan or some of these other municipalities. There really is an inequity. It is very obvious. As the Toronto Board of Trade, I'm sure you're confronted with this on a daily basis, where you're trying to attract industries and they will say, "Why would I possibly go to Toronto when I can go in the adjoining community and get all these tax benefits?" How do you address that? Have you been able to address it?

**Ms MacPherson:** The property tax situation in Toronto is something that we focus a great deal of attention on. You're absolutely right, it's a critical success factor. To Elyse's point earlier, it's one of the things that influences decisions about where to locate a business or whether to stay here, for example, when your lease has come up. One of the things the province, in our view, needs to continue to focus on is ensuring that those

inequities are reduced over time, that there are hard caps and that over time we get to a stage where we are much more competitive and the business community or the business properties in Toronto are not bearing such a disproportionate share of the taxes.

It's particularly keen if you look in the centre of the city, downtown. We have a situation where a vast quantity of office space comes up for renewal leases in the next two to three years. Property taxes have risen so much that we run the risk that if we don't have very concrete plans in place to ensure that we can demonstrate that those taxes are coming down, there will be great incentive for businesses to actually leave the core and go out.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation.

One quick announcement: our session this afternoon will be in room 151. We'll recess until 2 o'clock.

*The committee recessed from 1257 to 1400.*

#### BMO NESBITT BURNS

**The Chair:** I bring the meeting back to order, as it is slightly after 2 o'clock.

Our first presentation is from Nesbitt Burns. I would ask the presenter to step forward and state your name for the record, please. On behalf of the committee, welcome. You have one hour for your presentation this afternoon.

**Mr Doug Porter:** Thank you, Mr Chair. My name is Doug Porter. I'm with Nesbitt Burns—BMO Nesbitt Burns, actually. We changed our name officially about a year ago. I welcome the opportunity to address the committee today. Seeing as the economic environment has changed so dramatically over the past three months alone, I thought it would be instructive to actually stick to our knitting today and basically go over the economic outlook and what we see in the year ahead, how the slowdown that we've seen develop in the US will affect Canada and its implications for Ontario.

Just generally, I would characterize our view on the US and Canada as being a little bit below consensus, but we're certainly not at the low end of the spectrum. Fundamentally, we do not believe that a deep recession will take place in the US economy, but we can't rule out one quarter of negative growth or indeed even a shallow brief recession. We readily admit that in the forecasts we are going to put forward to you today the risks are tilted to the low side.

Clearly, the biggest risk for Canada and Ontario in the year ahead is from the US slowdown. I don't think there is any debate about that. Our own domestic fundamentals are actually quite fine; not perfect, but certainly a lot better than, say, what we saw in the early 1980s or the early 1990s. The governor of the Bank of Canada actually suggested that very point yesterday in his first speech.

I would like to begin with a bit of an overview on our US outlook and why we believe that any downturn



should be relatively mild. I've actually brought along a little handout that might be helpful if I walked you through it. First of all, I would like to spend some time on the US. I've prepared a list of where we think this downturn developed, where and why. It's instructive because it will also help us understand what the chances are that we'll pull out of it relatively quickly. Then I'd like to go into some of the reasons why we don't think we are headed for an out and out recession.

First of all, let's look at the backdrop very briefly on what exactly caused this downturn. There are a number of factors in the States. We listed about nine of them. First, the US dollar, against all odds and even with a record trade deficit last year, continued to rise, and this basically hit the competitiveness of US manufacturing. I don't think this is the number one factor by any stretch, but the area of the US economy that is facing the greatest pressure right now is the manufacturing sector, and part of that is due to the strength of the US dollar.

The second factor I listed and probably the single-most important is the fact that the Fed was tightening monetary policy. Admittedly this was a little bit less restrictive a cycle than we've seen in the past, but still they raised rates by almost two full percentage points. It took time for that to hit the economy, but it certainly did. That tightening cycle began in the middle of 1999, and the usual rule of thumb is that it takes about a year for an increase in interest rates to fully work its way into the economy, and sure enough the economy began to slow about a year after the Fed first began raising rates.

Third, on balance, fiscal policy in the US was still relatively tight last year. Taxes did rise faster than incomes, and we did see their budget surplus rise again. Again, I think that was a relatively minor factor.

The fourth factor was quite important: the sharp decline in the stock market, including a 40% decline in the NASDAQ. This worked its way into a weakening of the economy through many channels: the direct hit to wealth; the fact that the venture capital market, after providing a lot of impetus to the growth, really dried up in the fourth quarter; and finally and probably most importantly was the hit it delivered to consumer confidence, especially in the fourth quarter of last year.

A fifth factor was the fact that credit spreads—in other words, the difference between what a corporation pays on bonds and what the government pays—widened quite dramatically throughout last year, and we also saw that in the commercial paper market. In other words, loans for very short-term periods of interest really picked up at the end of last year as investors became much more reluctant to lend to corporations through the bond market.

We saw a similar episode of that with banks, which tightened credit standards considerably throughout 2000, actually to an extent we haven't seen since the recession of the early 1990s.

Seventh, and probably what I would say is the third-most important factor, was the rolling spike in energy prices. First it was oil prices that picked up through 1999 and peaked in early 2000, then heating oil prices began to

pick up during last summer, then natural gas prices and then of course electricity prices this year. So Americans have been hit by one energy shock after another over the past two years, and eventually this weighed not just on household incomes but also on confidence.

Then I think what eventually pushed the economy over the edge, when it had all these depressing factors operating on it, were the two things that really hit in November and December. First was the uncertainty that reigned after the election and the muddled election result; and finally the fact that the weather was so miserable in the US in November and December I think to some extent did exaggerate the weakness of things like retail sales in December. Certainly it contributed to the whole feeling and view that the US economy was in serious trouble, and they gave us very weak numbers for the Christmas selling season.

Combined, these things brought what had seemed like just an incredible expansion—the economy was still growing at a 6% annual rate as recently as the middle of last year—to essentially a complete standstill around the turn of the year.

Of the indicators that the economy has indeed ground to a standstill, I think the most telling is the plummet in consumer confidence we've seen just in the past three months. Leading indicators as well have fallen precipitously in the US. Admittedly, some of that is just a reflection of the decline in the equity market, but some of it also reflects a real decline in things like orders. We have seen a real decline in the sale of goods. It isn't just in inventory correction and it isn't just a financial correction. We actually have seen a real slowdown in goods sales.

Also, a classic warning of impending slowdown in the economy is a sharp buildup in inventories, and we certainly saw that in the second half of last year. After basically a 10-year period when US industries were consistently bringing down the ratio of inventories to sales, they were constantly getting their inventories under better management, we saw real flattening out in the middle of last year and then a sharp pickup at the end of the year. That's a classic warning signal.

Also as evidence that the economy really has slowed, I think it's most clear in the manufacturing sector. The National Association of Purchasing Management is reporting some of the weakest numbers we've seen since the recession of 1990-91. As well, we've seen orders actually declining for so-called basic industry, which excludes the high-tech industry. But even beyond just the basic industries, we've actually seen a sharp slowdown very recently in the technology sector. Of course, this area had been leading the US boom basically throughout the latter half of the 1990s, and over the second half of 2000 we saw that sector slow quite dramatically.

Generally, factory employment and hours worked have fallen quite sharply in the US in the last couple of months. Again, employers are acting very quickly in response to the slowdown we're seeing in demand; and finally, capital spending is also falling.

With that backdrop, I'd like to answer the question of whether this means the US economy is headed for a deep recession. Quite frankly, the answer is no. I've listed 13 factors why we think this is not going to turn into an outright recession in the US. First and foremost, I think most of the weakness we've seen really has been concentrated in the manufacturing sector to this point. I can list a number of sectors that are still looking quite strong, and many of these apply to Canada and if anything are even more so the case in Canada.

First and foremost, in direct response of course to the strength we've seen in energy prices, energy exploration, in other words drill rigging activity, is absolutely exploding, and that's even more so the case in Canada. In a related sense, utility construction is on a strong upswing, and there are even a number of generating facilities that are on the books now in California, not surprisingly.

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Office vacancy rates are very low. That's a direct contrast to what we saw going into the downturn in the early 1990s, when office vacancy rates had been extremely high. Again, if anything, that's even more so the case in Canada, so it's not as if we're headed for a big downturn in commercial construction.

Also, in complete contrast to what we saw in the early 1990s and certainly in the early 1980s, home affordability is actually increasing rather than decreasing. Yes, we have seen home prices rise a bit, but we've also seen mortgage rates come down quite sharply in the US over the course of the past year and similarly in Canada. So housing affordability is still quite good and home sales are still relatively firm. They are not as high as they were, say, a year ago, but they're certainly not pointing to an out-and-out downturn.

There's a similar story in auto affordability. A lot of the weakness we've seen over the last couple of months in Canada and the US is a sharp pullback in auto sales, but a lot of that has been driven by business purchases of vehicles. Surprisingly, new vehicles purchased by consumers have actually held in relatively well, and sales were surprisingly good in January. Admittedly, the anecdotal evidence from February isn't quite as good, but again I think the rebound in January shows that a lot of the gloom that we saw in December was partly weather related and I think it really did exaggerate the extent of the downturn.

There's a similar story in tech spending: most of the weakness we're seeing is on the business side. Consumer spending on technology goods, whether it's computers or even games or whatnot, is still quite strong.

There's a similar story for consumer spending on services, which accounts for over a third of GDP. This area of spending is still hanging in very well. Admittedly, some of that is spending on utilities. In other words, because it was such bad weather in November and December, consumers had to spend a lot of money on their electricity bills, and that gets counted in services as consumer spending. But things such as restaurant meals and when you pay your Internet service provider, that

counts as a service, and growth there is still looking very good.

Looking ahead, one of the reasons to think we will avoid a recession in the US is that it does look as if Congress and the President will work together for a fairly considerable tax cut. Whether that will actually help consumer spending this year or not is debatable, but at the very least I think it will give a bit of a boost to consumer confidence.

Probably more importantly, we've certainly seen that the Fed now views avoiding a downturn as job number one. They've already cut interest rates by a percentage point. I'll get into it a bit later, but we think they will cut rates by at least another percentage point. If any of these other factors aren't in place to support the recovery, we think the Fed will cut rates even more aggressively than what we've laid out. Simply put, the Fed does not want a downturn at all at this point. There is no reason for it. Inflation is not a major problem, and the weaker the economy looks now, the more aggressively the Fed will cut rates and the more likely it is that a rebound will occur in the second half of this year.

Energy prices, which had been one of the greatest depressants on consumer confidence over the past couple of years, are already falling. Here you can certainly look at it as a glass half-full, glass half-empty scenario. Natural gas prices are down 50% from their highs, but they are still up by about double from year-ago levels, so it's a bit of a good news-bad news story there. It's a similar story for oil prices more generally.

While credit has been tightened by the banks, it still is relatively available. Even though bank lending standards have tightened, we have seen bank loans, even so, still accelerating. Even though they have to pay more, corporations are going to the bond market a lot, quite extensively, and they still are able to borrow, even if they are paying a bit more. Mortgage lending and money-supply growth are also accelerating, so they certainly are not pointing to a downturn in the US economy overall.

Also, typically, factory inventory corrections do not last long. If this really is just an inventory correction in the manufacturing sector, it could be quite severe but it could be over within a six-month period, and that's what we're hopeful is what will play out over the next six months.

Some people say this isn't an inventory correction but actually an investment-spending correction; in other words, we've seen a capital-spending boom in not just the US but Canada as well over the past five years. But to some extent that, arguably, is already coming under control. A lot of these capital-spending goods are actually imported, to the extent that if there is a cutback in capital spending, it actually hits imports more than just the US economy. In other words, it affects places like Germany and Japan as much as it affects the US.

That's the backdrop and the main reason why we don't think the US is going into a deep recession. Again, as I said, we effectively, as a base case, think that we'll get zero growth in the first quarter and little better than



1% growth in the second quarter. We do think we'll see something a little bit better in the second half of the year, but I think our main message is that we don't see the US economy going back anything close to what we've become used to over the past five years. We think at best we're looking at about a 2.5% to 3% growth trend in the second half of the year and something similar to that in the year ahead.

I thought going through some of these charts might help put a bit of colour behind that outlook. It is quite interesting to look at the first chart, the consumer confidence, to see how well it was holding up right until the fourth quarter; in other words, that long list of factors I went through before the election and before the late-year slide in stock prices and that last run-up in energy prices. You can see consumer confidence was still quite high, but it has fallen even more than what we saw in the Asian crisis. I would argue it's unlikely to rebound as rapidly as we saw coming out of the Asian crisis. A lot of the downturn in the Asian crisis was a purely financial event. This is much more than a financial event. We've already seen layoffs hit their highest level in the last couple of months that we've seen in the past 10 years. That has a meaningful impact, of course, on income and spending. So it's not going to rebound like it did at the end of 1998 and in early 1999.

The second set of charts shows that there were plenty of warning signals going up from other real indicators early in 2000, but they didn't really begin to become troublesome until late last year or even the turn of this year. For instance, the leading indicator was falling quite sharply as early as the middle of last year, but it didn't really dip below trend until late last year. Similarly, inventory-to-sales ratios actually bottomed out at the start of 2000. They were starting to back up through the middle of last year, but they didn't really become troublesome until they spiralled quite sharply at the end of last year.

The third chart shows just how deep a downturn this is in the manufacturing sector. This one line I've labelled "factory survey" is also known as the National Association of Purchasing Managers report. This survey is really taken very seriously by the Fed. I think that to some extent, when it dropped so sharply for the December report, which came out the first working day of January, that was one of the reasons the Fed decided to react so aggressively the next day by cutting rates sharply. Then, when it fell again for January, I think that's why they followed it up with another half-percentage-point move at the end of January. So keep an eye on this survey when it comes out for February. It will be reported the first day of March. If we don't see much of a recovery, I think that'll give us a real signal as to the intentions of the Fed looking ahead.

I think another factor that's causing the Fed to ease so aggressively is this tightening in lending standards by the banks. The chart at the bottom of page 3-4 shows just how tight lending standards in the US have become and that they are actually as tight as, if not tighter than, what we saw in the recession of the early 1990s. Essentially,

by cutting interest rates, the Fed is trying to offset this tightness we're seeing in lending standards.

The next set of charts shows how the so-called low-tech, or at least the industrial sector outside of high technology, was sending all sorts of warning signals throughout the early part of the year 2000. Both orders and shipments were tailing off. Yet, the high-tech sector hung in—not just hung in but was doing spectacularly well—right up until about the middle of 2000. Then you can see that orders, just in the last couple of months, tipped over quite violently, and yet shipments are still rolling along at quite strong growth rates. That's one reason it took so long for the big technology shares really to react to the weakness, because they were still growing and shipping out the goods at just an incredible pace. Actually, they still were up until the fall.

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The chart on the bottom part of that page shows that the purchasing managers' report is not an infallible signal of recession. It actually has dipped below the so-called boom-bust line five times in the last 15 years, and only once was that associated with a recession. I guess the one warning here is that it has weakened to the same extent that we saw in the downturn in 1990-91. But again I stress that I really think the manufacturing sector is bearing an unusual burden of the slowdown in this downturn, partly because of the strength of the US dollar in this slowdown.

What does all this mean for Canada? While on balance we do see overall growth in the US of just a little over 1.5% this year—that is a little bit below their long-term trend of 2.5%, but it's well below the pace of 4% we've become used to in the past five years—we see a very similar pattern for Canada, a little bit stronger than in the US but not considerably different. As in the US, we essentially see growth going to about zero in the current quarter, we see growth of only a little bit better than 1% in the next quarter and, similar to the US, we see it going back to a pace of about 2.5% to 3% in the second half of the year. Again I would stress that we do see the risks as fairly heavily tilted to the low side.

We think that Canada will outperform the US in the year ahead. Effectively the two economies have been very similar over the past four years in terms of overall growth rates. The one exception was 1998, when we were certainly hit a lot harder than the US by the Asian crisis and the downturn in commodity prices in that year. But outside of 1998, you can see that in 1997, 1999 and 2000, Canada and the US had almost identical growth rates. But by the second half of last year, Canada was looking a lot stronger than the US. For instance, in the fourth quarter, it now looks as if the US only grew by about 1%, whereas Canada probably grew by a little bit better than 3%. So certainly we had a little better momentum than the US heading into this year, and to some extent we think it will carry over a little bit into this year.

I certainly don't want to give the impression that I think Canada can escape what's going on in the US.

That's why I've harped so long and hard on the US outlook. I would just like to draw your attention to the charts on page 9-10. I'm sure you're familiar with this overall pattern. I think it's quite clear just how closely tied Canada is to the US cycle, and I would suggest that since the free trade agreement and NAFTA, if anything, the tie has become tighter than ever.

Clearly, there have been some cycles where Canada has deviated for a time from the US, but certainly the pattern has been almost identical for the past 35 years. You can perhaps make out that in the early 1990s Canada was pretty consistently a little bit weaker than the US but, interestingly, we had almost the exact same growth pattern as the US, just a little bit lower throughout that period. One significant difference I can point out to you was the mid-1970s. Canada certainly did avoid the downturn we saw in the US. Some of that was related to the boom in energy prices. Canada benefited, while the US didn't. To some extent I would suggest that would make the case that Canada can do a little bit better than the US in the year ahead. Unfortunately, that doesn't do a lot for the Ontario economy. So I think it's very much the case that Ontario will follow the US pattern overall.

"The Ties that Bind" chart, the second one, basically just drives home the same point, the fact that fully one third of Canadian GDP is now accounted for by exports to the US alone. That's up from about 15% as recently as 15 years ago.

Turning to the next set of charts on page 11-12, you can see that we had a very similar situation on the factory side in inventories building in Canada. As in the US, there were some signs of trouble just beginning to develop in the first half of 2000, when inventory growth began to rise a little bit faster than manufacturers were able to ship their goods out. The two didn't diverge significantly until the second half of last year, but clearly there was a break in the third quarter of the year, when shipment growth really began to fade quite rapidly and inventory growth continued to rise.

Very recently there has been some slowdown in inventories, but the inventory-to-shipment ratio is still quite a bit higher than it was even a year ago, and I think there is still some more to be done on that front, that manufacturers will continue to cut production to bring inventories back in line with shipments.

I do think this process can take a fairly brief period of time, but there's no two ways about it: it is painful while we're going through the process. I think it will largely be concentrated in the first and second quarters of this year.

Now, I'll freely admit that forecasters have been quite slow or quite reluctant to revise down their forecasts for Canada. In fact, we don't have the official consensus forecast for forecasters for February, but as recently as January it was 3.3%. The Economist magazine has a slightly more up-to-date consensus forecast. They're looking now at 2.8% growth in Canada. I think that's a little bit more realistic. We're actually a little bit lower, at 2.3%.

I think one of the reasons why forecasters have been a little bit reluctant is, let's face it, we've been burned over

the last four years consistently underestimating the strength of the Canadian economy. If you look at the past four years, the average underestimation of Canadian growth has actually been a little bit more than 1%, which is a bit embarrassing for the forecasting community. The miss was especially bad coming out of the Asian crisis, when everybody was doom and gloom at the end of 1998. The average forecaster had scaled back their forecasts to only 2%, and indeed the economy sailed right through that period, with incredible growth in 1999 and not too dissimilar a story last year.

So I think to some extent forecasters have been very, very reluctant to cut their forecasts. But after a number of years of underestimating growth, I clearly think the risk in the year ahead is that we will indeed overestimate growth. The main reason for that is, to some extent, if you look at the chart on the top of pages 13 and 14, the slowdown that we're seeing in the technology sector. A lot of the underestimation of growth in the last few years is because to some extent we have consistently underestimated the contribution of investment in high-tech. That's added at least a percentage point to growth, if not more. I'm taking a very conservative measure here of the contribution of the tech sector. Consistently, this has added to growth quite a bit more than anyone had thought possible in the last couple of years, and that's definitely the case in Ontario. But given all the warning signs that are going up from the tech sector, I think it's quite feasible, if not even likely, that this year we're going to see that what it's given in the last couple of years it's going to take away in the year ahead. In other words, real GDP outside of tech investment actually will hang in there relatively well, but headline GDP will actually drop well below the trend.

Just turning to some of the specifics on the outlook, certainly so far most of the slowdown or any signs of slowdown we've seen in Canada have been in the auto sector. It's not just the production side; we actually have also seen a bit of a slowdown in Canadian auto sales. Admittedly, auto sales are coming off a great level. We saw record vehicle sales in 2000, but there certainly was a slowdown underway by the end of last year. Encouragingly, sales actually did pick up a little bit in January, as in the US, but I'd say the trend overall is still quite a bit weaker. Certainly, auto production has tapered off quite dramatically.

Just generally, businesses are becoming much, much less optimistic. Stats Canada puts out a quarterly survey of manufacturers that's call the business conditions index. We convert it into an index, something like the US purchasing managers index, where a reading above 50 is consistent with growth; a reading below 50 is a decline. In the first quarter of this year it fell to 38, which is the worst rating we've seen since the recession. Admittedly, it's not as deep as the levels we got in the depths of recession in 1991, but it is about the same kind of level that we were at right at the start of the 1990-91 recession.

Admittedly this survey was taken right as a lot of the worst news was coming out on auto production and when



all the scare headlines were rippling through at the start of January. But I do take it seriously. Manufacturers are obviously quite worried about their order books. As in the US, I think that the biggest risk is to manufacturing and, by extension, the biggest risk is to the Ontario economy of the 10 provinces.

Employment overall is holding up well, but the one area that's really tailed off is goods-producing employment. That includes things like manufacturing, construction, agriculture and utilities. That's where we have seen a very perceptible slowdown over the past year.

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Just to point out that it isn't a one-sided story by any stretch and that to some extent the economy is exhibiting a real split personality at the moment, similar to the US, while manufacturers are warning of very tough times ahead, we're seeing very decent growth on things like consumer spending and construction. Building permits hit their highest level in 10 years last year and they were still relatively firm at the end of last year. Housing starts, while they did taper off a bit at the end of last year, bounced right back in January, and home sales were quite strong as well last year. There are certainly no signs from the residential real estate market of severe strains. Outside of the auto sector, retail sales are still looking relatively firm. As much as we're seeing weakness in goods-producing employment, service sector jobs are still ticking along quite well. We've seen over the past year growth in the service economy employment of nearly 3% and certainly no early warning signs of a recession at all on that front.

What does this split personality mean for monetary policy? How will the Bank of Canada react to this?

To some extent it is confused by a couple of factors: the fact that we have a new Bank of Canada governor, who I think to some extent has to establish his credentials and I don't think wants to be seen as making strong steps either toward being overly tight in monetary policy or being overly loose. I suspect he will follow a very gradualist, measured policy. As well, the renewed weakness of the Canadian dollar, some of which admittedly has been driven by the sudden swoon in Nortel, complicates the Bank of Canada's task. So I think that while we will continue to see interest rates come down, the bank will be much more cautious and much more measured than what we've seen by the Fed. I think they will probably continue to move in quarter-point increments, but quite frankly, I don't know. We haven't seen Mr Dodge make an interest rate decision yet. We have to judge him by his actions and not by words, but certainly his words suggest that he's still relatively upbeat on the economy and that he doesn't have any sense of urgency whatsoever.

So I think we will see interest rates come down in a very measured fashion. We think Canadian short-term rates will fall by about another percentage point, probably coming down by about a quarter per cent in each one of the next four decisions that the Bank of Canada has. That means that by the summer we'll see interest

rates in Canada down by about a per cent, more or less matching the decline in US interest rates that we see in the year ahead.

I'd just like to conclude by what this might mean for Ontario in the year ahead. I've tried to weave in as I've gone some of the implications for Ontario.

Definitely we are the most closely tied to the US economy of all and we have seen the manufacturing sector certainly weakening consistently more than the rest of the country, as you can see from that chart on pages 17-18. I will point out that some of the strength in the rest of the country is a bit exaggerated because manufacturing shipments actually include refined petroleum and these numbers are not inflation-adjusted, so they've been bumped up a little bit by the run-up in oil prices. But I think the main pattern still holds there after a number of years, where Ontario industry was outpacing the rest of Canada. We have seen, which I think is clearly illustrated by what's going on in the auto sector, a clear slowing in Ontario manufacturing, more so than in the rest of the country.

Interestingly, that is not the case in consumer spending. Consistently over the last four years we've seen Ontario consumer spending growing faster than that in the rest of the country. I think some of that is related to the fact that Ontario has higher population growth and so it's natural that retail sales are going to grow faster than in the rest of the country. But you can see that even over the course of the past year we haven't really seen that same slowdown that's developing in manufacturing spilling over into consumer spending. Again, that goes back to the split personality of the economy.

That stands out even more so on employment, which I find absolutely fascinating. Ontario employment has been growing faster than the rest of the country, and that's even more so the case in the past couple of years. This is a smooth number, and actually, if anything, if I were to take the latest number—in other words, January—you'd see even more of a gap than what's showing there. So certainly to this point there isn't that slowdown in the broader economy showing up yet in Ontario. I don't think this happy circumstance is going to continue for long, and we will certainly see in Ontario employment gear back quite significantly in the year ahead, but at least heading into this year it has been remarkably strong. I suspect that is going to show up in the fiscal numbers for the fiscal year ending in March, but needless to say, the situation will change rather sharply in the fiscal year ahead.

On the construction side, Ontario has looked very much like the rest of Canada. After a relatively strong year, we did see a bit of a slowdown in permits by the end of 2000. But overall, it was a relatively good year for the construction industry and I'd say the outlook for construction still looks relatively healthy, even though we did get a bit of a slowdown in permits at the end of the year.

I'd just like to conclude with one number that came out today, and that was on business investment intentions

for the country as a whole. This was a survey taken over the turn of the year, from November to January. Canadian businesses are looking at a real slowdown in business spending, but they're still looking at a small positive this year, certainly nothing like we saw last year. Remarkably, the strongest growth in the country was to come from Ontario, which I find staggering. We actually are going to see a big pullback in manufacturing capital spending, but businesses overall in Ontario are looking to ramp up capital spending, which I do regard as encouraging.

So even though Ontario is the most closely tied to the US cycle, we are not calling for an out-and-out recession. We have scaled back our forecasts for Ontario growth to 2%, which I understand is a little bit lower than the finance ministry is looking at and I think it's a little bit below consensus, but I do think it's realistic. It's cautious. But again, I would say the risks are probably tilted to the downside for that number.

In summary, economic forecasts are fraught with uncertainty at any time, and I would say that's probably more the case this year than ever. So I would advise that the province plan with extreme caution in the year ahead. GDP forecasts for the province have already been cut by more than a percentage point, and I would freely admit that the room for error is probably that great even from the revised forecasts.

There are two aspects of economic performance to keep in mind at any time: the cyclical and the structural. I think this is a cyclical slowdown. For a province, it's extremely expensive to try to fight a cyclical slowdown with fiscal policy. In other words, we are such an open economy that I think fiscal policy really cannot do that much to fight a cyclical slowdown. In a structural situation, certainly fiscal policy can do wonders or extreme damage. There it is very important that we get fiscal policy right. But there really isn't that much that fiscal policy can do to fight a slowdown. In other words, I don't think Ontario should or could try to cut taxes or increase spending to avoid this slowdown. I think essentially we have to try to get fiscal policy as correct as we can, basically ride out the slowdown and hope that it won't last, just hope that we have fiscal policy right and that the slowdown won't last long.

That's it's for my prepared remarks.

**The Chair:** Thank you very much. We have approximately five minutes per caucus, and I'll start with the government side.

**Mr Galt:** Thank you for a most interesting presentation.

It's interesting that during the week, while we've been on the road, it started out we were hearing 2.8% GDP growth. The other day it was 1.6%. It's bouncing all over the place.

I have two questions. One relates to the US tax cut. It sounds like the Bush administration is going to come out with one, which may stimulate the US economy, and we kind of tail along, as indicated. But where does that put us in a competitive position if they cut their taxes? Are

we then going to have to cut that much more to stay competitive? We may lose our competitive edge, and how will that affect us?

Secondly, if you were the Minister of Finance, after the presentation we heard first thing this morning about how, depending on whether we stick with our tax cuts and stick with our other fiscal policies—we may have a soft landing or a hard landing was the way that economist described it—what would you recommend specifically, in order of priority, the Minister of Finance should do to ensure that Ontario comes out of the recession—or “downturn” might be a better word; let's call it that—in the best shape?

So two: competitiveness with the American cut in taxes, and what would you do if you were the minister to bring Ontario through this downturn the best way?

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**Mr Porter:** Well, any potential competitive damage to the Canadian and Ontario economies from a tax cut in the US will take time. It's not as if we have to react instantaneously to a tax cut in the US. First of all, we should see exactly what they do before we react. To a large extent the response has to come from Ottawa, first and foremost, but it does drive home the point that we have to do what we can to make sure our marginal rates do not get far out of line with the US. That doesn't mean we have to mirror the rates one for one. Certainly there are a number of differences in social policy that we have, and there are a number of reasons why Ontario taxes or provincial taxes generally are higher than those in the US. We of course have gone years and years with a tax gap. I would make the case that it has hurt us on a competitive front but it hasn't destroyed the economy, so it's not as if we have to react instantaneously. But I think it behooves the government to try to keep as much in line as we can with the US, without gutting social programs, obviously.

I made the point last year that the one concern I had with the overall program of Ontario tax cuts is that they really didn't do that much to bring down marginal tax rates. Marginal tax rates in Ontario are not that different from other provinces. I think that's really where the focus should be, on making sure that marginal rates, which really are what matter for work effort and for investment, are brought down as much as is reasonable.

As to the second part of the question, in terms of what I would recommend facing this downturn or this sharp slowdown, again I think it goes back to my summary in that really there is not that much a province can realistically do to fight the cyclical downturn. At the very least, they shouldn't make it worse. In other words, they shouldn't be out there doing the kinds of things that are going to crush consumer confidence even more. I don't think spending cuts are exactly a helpful thing at this point, but I do think that probably small tax cuts and at least the promise of more tax relief down the road can be very helpful. In other words, “This is where we want to get to, and as circumstances allow us, this is what we will try to deliver. This is what our goal is.” I think that helps



confidence both for businesses and consumers. It gives the impression that this is Ontario's focus and that we're trying to get the fundamentals right, that yes, we're going through a tough time now but we are absolutely committed to providing the best possible environment for business investment and for the work environment.

**The Chair:** We have one minute, Mr O'Toole.

**Mr O'Toole:** Quickly, I just want you to comment on how important the current inventory adjustment issues are, which is a lot of the manufacturing, and then, more importantly, the diversification in the domestic economy in Ontario, moving more from auto to tech and other diversified sectors.

Some of the recent comments in the *Globe* and certainly in the *Post* this morning were about the importance of the energy sector and the housing sector, which are both domestic issues technically. We're well positioned in those areas. If you could comment on those. Our belief, and Minister Flaherty said in his opening statement and I think you show that too, is that the domestic economy is stronger perhaps, showing more ability to be sustainable. How important are taxes in that part, both the capital tax and the tax on basically inventories? Are they an important part of the fiscal policy tools that we have?

**Mr Porter:** I'll work in reverse; I'll start with the last question. There's no question that one of the reasons consumer spending has done relatively well over the past year—and we think the fundamentals are good in the year ahead—is that we have seen disposable income finally coming back to life. Part of that is due to the fact that wage settlements have started to pick up a little bit. Employment growth has been strong. Also, there is no question that there has been a real kick to disposable income from tax cuts, both at the federal and the provincial level, across the board. I think that has done a lot, not just for confidence but for actual disposable income growth.

Actually, we're looking at disposable income growth after inflation of 4% last year and about 2.5% this year. Those are some of the best numbers we've seen in a decade, so I think that is a very important factor behind why we think consumer spending will hang in there relatively well and why there is a split personality.

In terms of how well-diversified the economy has become, I think that's a gradual process. That takes place over years and years. Slowly but surely, I think that goes for Canada as a whole. We're becoming a little bit less resource-intensive, there's no question about it. But compared to other G7 economies or other industrialized economies, we are still more reliant on the resource sector than any others. That hasn't changed and that won't change any time soon.

Definitely, the tech sector has risen to be a much more important part of the economy, but it too is quite cyclical and I think we are seeing that. We are going to see a real slowdown in the tech sector. I don't think it is so different from other sectors of the industrial economy or industrial machinery. It goes through an inventory cycle, it's dependent on capital spending, and if capital spending slows, it's going to slow as well. While the structure

of the economy is changing, that doesn't mean we can completely avoid the business cycle. The business cycle will look different, but we're still faced with a cycle at the end of the day.

**Mr Cordiano:** Thank you for your presentation. One of the things that strikes me is that you're forecasting a real GDP growth in Ontario of 2%. I believe the finance minister has projected a 2.8% growth rate, so yours is considerably more conservative than the finance minister, who is a Conservative. It's interesting that there is such a gap, 0.8% of a difference, in your forecasts, and forecasting being what it is, I think you should err on the side of being cautious at the present time.

That being said, my concern has to do with the fact that the province may face a revenue shortfall, given the real slowdown in the economy. If there is what amounts to a revenue shortfall, my question to you is, is it a wise course of action to have tax cuts take place at the present time at the provincial level? I've heard what you said about adjusting or fixing the marginal tax rates. You would probably give priority to that rather than an actual cutting of taxes across the board.

Do you think it would be wise for the government of Ontario at the present time to consider any additional tax cuts, given the fact that we may be facing a revenue shortfall? As well, there is balanced budget legislation. They're having to balance the budget by the time this term is up in about two years.

**Mr Porter:** Just starting with the first part, I think it's important to point out that the outlook for the economy has shifted quite dramatically in the past three months. To put it frankly, I don't think a difference of even a percentage point between forecasts is unreasonable at this point; the outlook is so uncertain. We've seen the US consensus shift dramatically just in the past three months, so I don't regard that as a huge gap.

The second part of your question, going back to my earlier comments, I think it's probably wise to let up somewhat on the pace of tax cuts at this point, just to be fiscally prudent. That doesn't mean the whole process has to be ground to a halt, but I think it is important to remember that we are also getting, and we will get, a lot of relief from Ottawa as well. They've already laid out quite a fairly serious tax-cutting program over the next five years, and indeed last year's Ontario budget did as well, certainly on the corporate side and to a lesser extent on the personal side. So I don't necessarily think it's critical to continue to push that issue at this point but, as the one member brought up, I think that realistically we are going to be faced with more competitive pressure from the cuts in the US. We can't put our heads in the sand and ignore that that competitive pressure from lower US taxes, if anything, will be accentuated in the next couple of years. I think it is important for the government to stress and to continue to aim to bring down taxes over the medium term, as much as is affordable within the constraints.

I would be interested to see the final numbers for the fiscal year that's just about to end. I suspect that, given

the strength we saw in the economy last year, we might be in a better starting position than has been publicly put forward, but I'll wait to see the final numbers.

1450

**Mr Cordiano:** My concern would be, and I think the government's concern should be, that we not run a deficit. I think that would have some negative impact in terms of consumer confidence and business confidence in general if the province were to start running deficits again, because that could be a likely scenario if we continue to have a downturn that exceeds your expectations or is certainly well below what the minister is predicting.

**Mr Porter:** I think that if we got into a situation where we had an out-and-out recession, then confidence would already be so destroyed that the fact that Ontario had slipped into a deficit really wouldn't do much more damage. That doesn't mean I would take it lightly that Ontario slipped into deficit, but it really does depend on how dire the economic circumstances are. If you had the US economy going into recession, then I think Ontario would not avoid it. I think even the US government could be looking at slipping back into deficit if they had an out-and-out recession. I honestly think it would be forgivable, at least short-term, if Ontario had, say, a one-year period where they dipped into a small deficit.

My own view is that balanced budget legislation really should be over the cycle and you should not be in a situation where you are forced to cut spending dramatically in the face of a downturn, or raise taxes, for that matter, in the face of a downturn, just to keep the budget balance from slipping into a deficit for a brief period of time. Again, that doesn't mean I don't take it seriously. I think that should only be reserved for a deep recession, something more than just one or two quarters.

**Mr Christopherson:** Thank you for your presentation. I remember last year's discussion.

Just so I understand clearly: you're suggesting that if the indicators continue to show that the government would be pushing itself into a deficit position, they ought to let off the gas on the tax cuts so they maintain the revenue stream for the short term.

**Mr Porter:** The government typically only sets policy once a year or so, which we'll see in a couple of months. I guess what I'm saying is that this is probably not the time to make big steps in either direction, whether it's cutting spending or increasing spending. By the same token, the direction should still be down for taxes. I think the long-term goal should still be lower taxes.

What I'm saying is that cutting taxes or increasing spending at this time would not be a fiscally cheap way to boost the economy. In other words, Ontario is such an open economy that a lot of that fiscal stimulus flows right out of our borders. That's not a fiscally cheap way to do things.

**Mr Christopherson:** I found it interesting that a lot of the groups that have been coming in over the last couple of weeks have been saying that reducing the debt, paying off the debt, is the absolute, number one priority. What strikes me is that many of them were the same folks who

were saying that the tax cuts had to come first, and since the government implemented their tax cuts before they balanced the budget, it meant they had to borrow the money and continue to borrow money to give the tax cut, which increased the debt. So it's like they wanted to have their cake and eat it too. They wanted the tax cuts, which have benefits right up front, and now they want to say that the debt is the number one priority and therefore you have to keep taking revenue stream out of social expenditures and into debt.

Would we not have been better off to follow a plan that had us balance the budget first? Wouldn't we be stronger right now to withstand this and have a little more manoeuvring room, had we waited until the budget was balanced, not made the dramatic cuts that were necessary in social spending—and we're hearing about the price we're paying for that, for health care, teachers, infrastructure; AMO was in here this morning talking about municipalities; my own community in Hamilton just got hit with a 15% increase for water rates. Would the government not have put us in a stronger position now, had they waited to do the tax cuts or any other expenditures with a fiscal dividend until we actually had it in hand, rather than doing it before the books were balanced?

**Mr Porter:** I think any way you look at it, Ontario faced a very tough situation a number of years ago. There were a number of competing needs that had to be faced. In hindsight, the budget deficit actually did come down a lot more sharply than laid out initially. But by the same token, Canada had really gotten out of line with the US, and I do think that was the case in Ontario on the tax front. If you recall my presentation last year, I think I tried to make a strong case that you really can show the widening differential in taxes. I would make the case that that led to the persistent rise in unemployment that we've seen in the past 15 years. I think there were a number of needs that the government tried to address, and bringing down taxes was one of the important things; bringing down the budget deficit was another important thing. We can probably debate all day the speed with which both should have been addressed, but I think they were trying to address both at the same time.

**The Chair:** You have one minute left, Mr Christopherson.

**Mr Christopherson:** I would think that, given the lack of flexibility now, somebody should be saying, "Hey, we told you at the time that wasn't the way to go."

Two things and a short question: how many jobs, roughly, do you think we're going to see lost over, say, calendar 2001, and how many of those jobs are going to come back when the economy rebounds?

**Mr Porter:** I think it's important to point out that this base case forecast I laid out is not a recession. We actually see employment growth in Ontario this year. Admittedly—and again it goes back to the split personality—we're probably going to see fairly decent growth, still, in service employment but declines in manufacturing employment.



**Mr Christopherson:** But an increase in low-paying jobs and a decrease in decent-paying jobs.

**Mr Porter:** Not necessarily. Not all service sector jobs are low-paying. Management jobs, civil service jobs are not necessarily low-paying.

**Mr Christopherson:** There aren't many civil service jobs and there's only one management per X number of workers.

**The Chair:** With that, I have to bring it to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

1500

## POLICE ASSOCIATION OF ONTARIO

**The Vice-Chair:** Our next delegation is the Police Association of Ontario, president Bob Baltin, if you'd like to come forward. On behalf of the standing committee, welcome. We look forward to your presentation. When you start out, please state your names for the purpose of the record. You have a total of a half-hour for your presentation. What's left over will be divided evenly between the three caucuses.

**Mr Bob Baltin:** Good afternoon and thank you, Mr Chair and members of the committee, for the opportunity to be here this afternoon. My name is Bob Baltin. I'm the president of the Police Association of Ontario. I joined the Peel Regional Police Service as a constable in 1978. I've worked full-time for their association since 1995. I worked in uniform patrol, criminal investigations bureaus, intelligence units, morality and vice units, joint forces operations and the auto theft bureaus.

Appearing with me is Bruce Miller, the administrator of the Police Association of Ontario. Bruce was a 22-year veteran with the London Police Service until he became our administrator last December. He has worked in uniform patrol, vice, break-and-enter units and major crime squads. He is a former police medal of bravery recipient. Together we will try to give you the perspective of front-line police personnel in Ontario.

The Police Association of Ontario, the PAO, was founded in 1933. The PAO is the official voice and representative body for Ontario's front-line police personnel and provides representation, resource and support for Ontario's 70 municipal police associations. Our membership is comprised of approximately 13,000 police and civilian members of municipal police forces. The Police Association of Ontario promotes the mutual interests of Ontario's front-line municipal police personnel in order to uphold the honour of the police profession and elevate the standards of police services.

We are appearing before you today to ask that the government remain committed to community safety. People in Ontario have a right to feel safe in their homes, on their streets, while at play and in their schools. Safe communities create trust and comfort and attract investment and can only lead to a stronger Ontario.

We have applauded some of the legislative initiatives that the government has enacted in recent years. The

1,000 new police officers initiative was one of the most positive steps taken by a government that we have ever seen. The communities we serve have welcomed this influx of police personnel. We strongly supported the introduction of the Sergeant Rick McDonald act to help reduce criminal pursuits and make criminals accountable. We endorsed Christopher's Law, which created the mandatory sex registry.

We appreciate the fact that members of all parties have introduced legislation to help ensure safe communities and we would like to thank them for their efforts.

Stats Canada reported that Ontario had 185 police officers per 100,000 citizens last year. This compares favourably to the rest of the country, with Quebec having the highest number, at 188. However, our rates are considerably less than in other countries. The United States had 247 officers per 100,000 in 1998, and England and Wales recorded 233 per 100,000 last year.

Much has been made of the fact that crime rates may have been falling. The number of Criminal Code incidents in Canada increased steadily, from 20 per officer in 1961 to a peak of 51 in 1991. That rate had declined to 43 in 1999. However, Stats Canada also reported that a large proportion of crimes are going unreported because victims of crime did not feel they were significant enough to report to police.

A few years ago my own vehicle was broken into in my driveway, and approximately \$700 damage was done and numerous items were stolen. I reported the theft to the police and discovered while talking with neighbours that in fact 11 vehicles had been broken into and damaged. These vehicles also had items stolen from them. I learned that I was the only one who had made a police report. The others did not bother because they felt the crime would either go unsolved or the culprits would be virtually unpunished.

It is noteworthy that during this alleged downturn of criminal activity, we commissioned Angus Reid to poll Ontarians in 1996. The following results were received:

—Three out of five Ontario residents, 62%, felt there had been an increase in crime in their community in the past five years.

—The large majority of Ontarians, 80%, felt that regardless of the deficit situation, one area that should not be cut back is funding for police services.

—More than half of property taxpayers, 54%, said they would be willing to pay an increase to maintain funding levels for police services.

A soon-to-be-released HRDC study on policing points out that crime rates have dropped because of an aging population. However, that same study states that the aging population will put increased demands on police personnel. Older Canadians are more frequently the victims of certain crimes and typically require more intensive personal attention than younger members of society.

The same study highlights the fact that crime is becoming more sophisticated, organized and technically complex. Criminals are using cutting-edge technology and the police are hard-pressed to keep pace. Criminal

organizations do not face the budgetary restrictions that are faced by police agencies, which may prohibit or delay the acquisition of equipment or personnel.

Often, investigations into these matters are very time- and resource-consuming. We are playing catch-up to the criminal in many instances. Paperwork and regulations are increasing the workload of police personnel. Officers must ensure that all the statutory steps are covered. The Supreme Court of Canada decision that obligated crown attorneys to make full disclosure has become a paper nightmare for investigators.

Electronic surveillance has become a tool of last resort, as the evidentiary hurdles and criteria established by the charter and consequential legislation significantly limit the use of electronic surveillance well below its legitimate potential.

Search authorizations place comparable demands on police agencies, as a misplaced comma, typographical error or inadvertent and inconsequential technical error can render a search and the resulting evidence inadmissible.

In the past, police only had to prepare enough documentation to make the crown's case. Now they must prepare detailed reports and disclose all information. Many investigators spend the majority of their time preparing disclosure instead of investigating crime.

We want to stress that in spite of this the streets in Ontario remain comparably safe. This is due to the dedication of our members and due to the fact that government has recognized the need to give police personnel the tools they need.

The government gave up majority control on local police services boards to municipal councils. This has increased the need and responsibility to ensure that adequate funding and safeguards are in place to ensure quality policing. A local municipality cannot be allowed to make an uninformed decision that may impact on community safety.

Current funding levels must be maintained and in fact need to be increased in certain areas to continue to ensure safe communities. We would like to highlight certain areas that we feel are deserving of special attention.

Community policing partnership funding: In 1998 the province announced the implementation of the community policing partnership, or CPP. This extremely positive initiative allowed for 1,000 new officers to be added to patrol Ontario's streets. Last year the government announced that it would be establishing a permanent CPP program and increased the annual budget by \$5 million, to \$35 million.

It is our understanding that this additional funding has yet to be accessed. We urge that it should be targeted to continue the intent of the original program, adding additional police personnel and resources.

Fighting crime and ensuring safe communities requires many facets, including tougher legislation and education. Funding remains a key component and cannot be ignored. We would urge the government to ensure that this initiative continues and is not lost.

The Ontario Police College: The Ontario Police College (OPC) remains among the finest, if not the finest, police facility in North America. It has a dedicated and highly talented staff that is combined with quality leadership. The college received enhanced funding last year and the current funding levels must be continued.

The Ontario Police College provides a variety of training programs designed to prepare police personnel to perform their duties safely and professionally while meeting the policing needs of the province.

The primary clients of the OPC are police and civilian members of all police services in Ontario, including municipal and regional police services and the Ontario Provincial Police. Other clients include government employees from other provincial and municipal enforcement agencies and occasionally clients from other provinces and abroad. This fosters an environment for the valuable exchange of ideas and strategies to combat crime.

The college has 125 full-time and part-time employees, including instructors and support staff. The 45 permanent instructors are supplemented by police officers from various police services, usually for two-year periods. As of last year, there were 44 contract instructors.

Last year the college continued to be involved in the training of both recruits and seasoned police personnel. Approximately 5,000 members were trained on site while an additional 5,000 members received training from the college's staff in locations across the province.

The aging of the police population has placed increased demands on the college's staff. At the same time, an increasingly complicated and demanding work environment has reinforced the need for continuing education.

Police personnel must be adequately trained to meet today's challenges. The college's personnel have worked hard to ensure this, and their funding levels must be protected.

I will now ask Bruce Miller to continue with the rest of our presentation.

1510

**Mr Bruce Miller:** The policing services division is an area that is badly in need of enhanced funding. The division has an important audit and advisory capacity. Its mandate includes monitoring the extent to which ministry-sponsored police initiatives are introduced and maintained by police services; assessing police services compliance with the legislation, policies, operational guidelines and standards the ministry develops through both internal and external consultative processes; evaluating relationships between police services and governing authorities, police associations and agencies, local crown attorneys, adjacent municipal forces and other community groups; regularly advising chiefs of police, police services boards and police associations on policing procedures, regulations and standards, interpreting the Police Services Act and other legislation, and internal discipline matters.

The division has seen the number of advisers fall from a high of 15 in 1995 to the current five. This comes at a



time when the advisers have the added responsibility of ensuring compliance with the adequacy standards that came into effect at the start of this year. The standards were legislated to help ensure quality policing for all Ontarians. They were enacted as a safeguard against local municipalities making budgetary decisions that could negatively impact community safety.

Their workload has also increased due to restructuring.

Ideally, they are supposed to be actively involved to ensure that protocols are followed and that all groups are kept informed and up to date. This sharing of information reduces the confusion and acrimony that can be associated with the process.

The policing services advisors played an important role by being independent. They were often able to resolve disputes involving associations, chiefs, senior police management and police services board. They did this through their educational and conciliation skills. The downsizing of their ranks coupled with their increased responsibilities has left them unable to carry out many of their functions. The last comprehensive audit of a police service was Durham region in 1998.

Far too often disputes which could have been settled with the aid of an adviser have ended up needlessly in a public forum. This not only serves to impact on the morale of the men and women of the service but can also diminish community confidence in the police service. This serves neither the community nor the service. We would ask that their funding and staffing levels be restored to, at the very least, their previous levels.

**Organized crime:** The widespread proliferation of organized crime in Canadian communities is of significant concern to the Police Association of Ontario and our members. As professionals who dedicate their lives to community safety and reduction of crime, our members are acutely aware of the impact of the thriving multibillion-dollar industry known as organized crime. Organized crime affects all Canadians, undermines our economy, reduces our security and threatens the integrity of our political institutions.

The explosive growth of technology in our increasingly global society has presented new opportunities for organized criminals through technological crime, distribution of child pornography, international telemarketing fraud and offshore gambling.

The United Nations has estimated that organized crime has global revenues of \$1 trillion annually. The activity and criminality of organized criminal gangs has increased in recent years within Canada, at severe risk to public safety and security. Criminal Intelligence Services Canada, CISC, has stated, "Virtually every major criminal group in the world is active in this country."

Our proximity to the United States of America makes Canada extremely vulnerable. More importantly, it is our lax immigration policy, open borders, weak federal laws, archaic justice system, an even weaker federal corrections system, coupled with under-enforcement that makes us extremely attractive to the sophisticated criminal.

There are disturbing and significant trends evolving in organized crime in this country: increased violence,

including bombings, murders and the use of threats, intimidation and violence against victims, witnesses, public officials and the media; collaboration—the sophisticated criminal has recognized that co-operation breeds success, as evidenced by the recent summit of Hell's Angels and Rock Machine leaders; globalization of operations; exploiting technology; the import and export of contraband, including but not limited to illegal aliens, stolen vehicles, drugs, alcohol and tobacco and money laundering.

According to CISC director Richard Phillippe, over a 24-hour period in Canada \$6 million worth of heroin will be imported into this country, 21 to 43 illegal aliens will arrive, \$14 million will be obtained through telefraud and 500 vehicles will be stolen.

Organized crime is far from victimless. In addition to the traditional forms of violence associated with the organized criminal, their illegal activities damage and often destroy the lives of children and vulnerable persons who fall prey to their illicit trade. The child prostitute, the drug addict, the addicted gambler and the senior defrauded of their life savings are all-too-familiar examples. There is a tremendous economic drain on our economy as businesses and insurance companies pass on the significant costs of fraud and theft to consumers. Our members have the desire to combat this menace, but they need the tools and resources.

Much has been said about the recent increase in activity of organized criminal motorcycle gangs. We watched in horror at the carnage that occurred in Quebec, and we must ensure that the same thing does not happen in Ontario. This can only be accomplished with adequate tools and resources.

Recently, a disturbing trend has developed. Police officers themselves have been targeted by organized crime. One can only surmise that the goal of these intimidation tactics is to silence the efforts of these officers and their co-workers. We cannot and will not allow this to happen. Police personnel in Ontario will not bow to organized crime.

We support the Remedies for Organized Crime and Other Unlawful Activities Act. However, proper resources and funding must be in place to ensure its success. Training is a necessary component. The promised provincial strike force needs to become a reality for the legislation to be effective. The appropriate tools must be in place.

The Ontario Crime Control Commission has done important work in developing strategies to combat property crime and as of late has been targeting auto theft. The commission has had a significant role in the sharing of ideas and strategies. It has helped to educate both the public and police personnel. We understand that its current mandate is set to expire in June. It has played an important role and we would urge that at the very least its mandate be extended.

We have spoken at length about how combating crime has become increasingly complex and sophisticated. It is a time- and resource-consuming task. At times, the dedication and courage of our officers is not sufficient; specialists are needed. We support the creation of prov-

initial specialty task forces to assist in the fight in such areas as organized crime, Internet child pornography and computer crime.

The so-called ROPE squads that hunt down prison escapees and parole violators have proven to be very effective but are badly in need of a cash infusion.

Drinking and driving continues to be a major source of tragedy on Ontario's roads, and funding for RIDE programs and enhanced enforcement must be continued.

Initiatives that have been either created or promised need to be continued or carried through with. In some areas, these initiatives will have to be expanded.

Policing impacts on all areas of Ontario, urban and rural. The citizens of Ontario have a right to feel safe in their homes, to feel safe at work, to feel safe at school and at play. We believe that our members have the overwhelming support of Ontarians. We know that we have the support of the government and members from all parties. We would like to take this opportunity to thank all members of government for the law-and-order initiatives that have either been promised or legislated. We appreciate your commitment to law-and-order issues. We would urge you to continue to consult with us, as our members are out there on the front line, in the real world.

Through the dedication of our police personnel, combined with adequate tools and resources, we have been able to ensure that our streets are safe. To ensure that this continues, current and proposed funding must be left in place. At the same time, new initiatives must be continually explored to ensure our province's quality of life.

I would like to take this opportunity to thank the committee for allowing us to address you, and we would be prepared to answer any questions you may have.

**The Vice-Chair:** Thank you very much for your most interesting report. We have maybe two minutes per caucus, max.

1520

**Mr Kwinter:** Thank you very much for your presentation. I think you're absolutely right that Ontarians have a right to expect to have safety in their streets, safety in their homes, safety in their schools, safety in their play, and I think by and large they do. I think that if you ask the average Ontarian, they would think this is a safe place to live, relatively speaking. Having said that, there are these areas where there are problems, and I commend the cop on the street, because he's under incredible pressure to do his job properly.

I'd just like you in the time that we have to explain one thing that you say in here. You say, "The government gave up majority control on local police services boards to municipal councils. This has increased the need and responsibility to ensure that adequate funding and safeguards are in place to ensure quality policing. A local municipality cannot be allowed to make an uninformed decision that may impact on community safety."

How do you propose that we address that? The city of Toronto, to give you an example, because we're in Toronto, has responsibility for the police service. The

police service reports to the council. They make decisions; they make funding decisions. What would you propose to make sure that they make, in your opinion, the right decisions?

**Mr Miller:** I think, sir, that's already been legislated in the form of the adequacy standards. They were put in place to ensure that Ontarians have quality policing right across the province. I don't like to refer to them as "minimum" standards, because minimum standards sometimes become the acceptable standards. The standards are adequate to ensure that the community is properly policed. The other area, of course, is with the expansion of the policing services division to provide support and resources for police services boards.

**Mr Kwinter:** So you're happy with it. You just want to make sure it stays.

**Mr Miller:** There are problems in certain communities, but by and large, Ontario's streets are relatively safe.

**Mr Christopherson:** Thank you. It's good to be working with the PAO again. I'll just comment on a couple of things—we don't have much time—and any response that you want to give would be appreciated.

I notice that you make reference to the fact that the government did follow through with what it said it would do—unfortunately, in this case—where they downloaded decision-making responsibility, majority control, on the police services boards down to the municipalities, thereby leaving it very vulnerable. Even though there are these adequacy standards, when you link it with the lack of advisers and the whole process, if it's still the same as it was when I was there, or even close, that takes some time and can get quite bogged down. It seemed to me it was a good check and balance in our system that the majority appointees to police services boards were by the province, where ultimate responsibility for policing services lies. So it's good that you mentioned it. I still think that was a mistake the government made, and maybe that needs to be revisited some day.

Again, to mention the fact that they've lessened the number of advisers from 15 to five, I know first-hand the role they play and how crucial they can be to solving big problems and also solving small ones to prevent them from becoming big ones. I think what you are seeing here is yourself being a victim of some of the other kind of quiet cuts the government makes, where they don't get a lot of headlines. In the Ministry of the Environment, for instance, a lot of the scientists are gone, a lot of the analysts, things that the public can't see but that are important to the effective protection of the environment, in this case, or the effective provision of policing services.

I would also just mention you complimented the community policing partnership funding. I didn't make too huge a deal out of it at the time. It seemed rather pointless; the election had decided things. But I thought it's interesting that it's almost the same program that we had brought in and that the government cancelled and then reannounced a couple of years later with great fanfare. I



see one of my friends from across the way who remembers those years, who knows very well that's what happened. It is a good idea no matter who is doing it. If you can work in partnership with the local municipalities, where you're both bringing in money for the same objective, I think that's the best kind of partnership you can have.

**Mrs Molinari:** Just quickly and then my colleague also wants to ask some questions. Just a comment on the organized crime that you've indicated here. Presently we're holding hearings on Bill 155, the organized crime bill. If you haven't submitted your views on that, I would suggest that would be a good idea for you to do. It's certainly a bill that's going to protect Ontario residents from being victimized by organized crime. So I'd encourage you to become involved in that.

A quick question about your comments on the reports to the police on stolen and damaged property and that you had spoken to about 11 people in your neighbourhood and none of them had reported it. One of the reasons you cited here is they didn't bother because they felt it would either go unresolved or the culprits wouldn't be punished. That's a rather apathetic approach to crime and I'm concerned when people have that type of view, that they don't report it. It's my understanding that in order to claim it on your insurance, you have to have a police report, so it surprises me that even with the apathy, that they feel nothing is going to happen, they wouldn't report it just so they'd have a police report and be able to claim it through the insurance. Can you comment on that, please?

**Mr Baltin:** I think I can because it was a personal experience dealing with my neighbours. I was very disheartened as well that they hadn't contacted the police, because from a policing aspect, if the police were to do a snapshot of the area for that day, they would only know of one crime being committed. Had everyone reported it, they would have known that there in fact had been 11 or 12 or possibly even more that I didn't learn about.

As to why they didn't report, you're right: in order to claim on the insurance, they would have to make a police report. However, what I found was that for a number of them, depending on the value of the items that were stolen, if it was going to fall beneath their comprehensive level—and the level of the comprehensive for theft has increased over the last few years—again, there was going to be no financial benefit to them to report it. Essentially, they just took the loss.

**The Vice-Chair:** On behalf of the committee, thank you for your presentation. We really appreciate your coming forward. Best of luck in your work.

#### ASSOCIATION OF ONTARIO HEALTH CENTRES

**The Vice-Chair:** Our next delegation is the Association of Ontario Health Centres, if the representatives would like to come forward at this time. On behalf of the committee, thank you very much for taking time to

express your interest in the upcoming budget. You have half an hour to give your presentation, and what's left over we'll divide between the three caucuses. Please state your name at the beginning for the record purposes.

**Mr Gary O'Connor:** My name is Gary O'Connor and I am the executive director of the Association of Ontario Health Centres. I've held this position since 1997. Beside me is Susan Milankov, who is the vice-president of the Association of Ontario Health Centres, and she is also on the board of one of the community health centres in Toronto, the LAMP community health centre.

We are deeply appreciative of being able to address this important committee of the Legislature. We are grateful for the time you have allocated to us and our association. At the risk of being a bit immodest, I can assure you it will not be time wasted.

I do want to explain more about the association, but first I want to explain why we're here today. The Association of Ontario Health Centres has come to Queen's Park today because we genuinely believe we have a solution to offer the government that will make significant improvements to the province's health care system. Given the amount of money the government has poured back into health care, we know that this is your number one area of interest. I praise the government for the continued interest in health care. It's money well spent.

I think we have an offer that the government should not, and cannot, refuse. Simply put, the government should continue to invest in health care, and we think community health centres are a natural and worthy candidate for investment. By investing here, the government will improve the province's health system and begin to deliver in a significant way on its commitments to expand primary health care networks province-wide.

Members of our association have been at the forefront of primary health care reform for the past 30 years. As a result, we wholeheartedly support the government's commitment to roll out primary health care reform province-wide. In last year's budget, the government committed to having 80% of family physicians working in primary care networks over the next four years. Again, we applaud both the impulse and the target.

We think we can assist the government in accomplishing this important and ambitious objective. In fact, today we want to leave the committee with a set of proposals, which have been delivered to each of you, that move the yardstick on primary health care reform a considerable distance.

#### 1530

Who are we? Ontario's health centres are now into their fourth decade of delivering comprehensive health services to people in their communities. It was not until 1982 that our association, the Association of Ontario Health Centres, was officially incorporated. At that time, the then Minister of Health, the late Larry Grossman, said that CHCs would no longer be experimental pilot projects, but would be part of mainstream health services in

the province. Minister Grossman also set targets for growth and expansion of community health centres across the province. His government's direction was supported by subsequent governments of all political stripes.

Today, there are 66 centres in operation in all parts of the province; 56 are community health centres, and 10 centres provide services as aboriginal health access centres. These centres are community-based, not-for-profit organizations that provide high-quality, cost-effective primary care services. But our centres do not stop there. They also focus on health promotion and illness prevention to improve the overall health outcomes for individuals, families and the communities they serve.

What we're here talking about today, what we have to offer, is that the Association of Ontario Health Centres applauds the direction that the government has moved toward in managing the health care system. We support the call for expanded primary health care networks across the province. We also think we are a legitimate alternative to assist the government in achieving this worthwhile objective.

We support the idea of shifting health resources to communities to deliver services closer to home. Spearheaded by local need and governed by local boards, health centres are quintessentially creatures of their communities.

We fully embrace the course the government and all the governments in fact are starting to take of putting money back into the health care system. Health care is our number one priority and a top issue for the majority of people all across the province. In its 2000-01 business plan, the Ministry of Health and Long-Term Care described its vision for Ontario's health system as the following, "An accessible health system that promotes wellness and improves people's health at every stage of their lives and as close to their homes as possible." This vision fits nicely with our approach. In fact, it could almost be the vision for community health centres. Our approach stresses comprehensive care close to home with an emphasis on making people well and caring for them before they become ill.

Looking further at the ministry's business plan, it identifies seven strategies to achieve its vision: (1) anticipate the needs of a growing and aging population; (2) expand health promotion and illness prevention activities; (3) plan for enough health professionals throughout Ontario; (4) enhance the role of community-based health services; (5) convert 80% of eligible family physicians from a strict fee-for-service payment scheme; (6) increase recruitment, retention and nursing leadership; (7) ensure that rural and northern communities have better access to health services and specialists.

What the ministry has identified in its business plan to achieve a better health system is what community health centres do every day. Seniors report preferring the health centre model of care because it allows them to see the most appropriate provider, who then gives them the service they need and the time they need.

The health centre model is structured on a multi-disciplinary team concept that places a significant em-

phasis upon illness prevention and health promotion. Our providers are salaried and our budget is capped. This means the number one goal is to make the individual as healthy and as well as possible.

Our association has a plan that would see the hiring of 375 more physicians and 548 more nurses. This would deliver comprehensive primary health services to as many as 65 more communities that currently need enhancements to their local primary care systems.

Community health centres are just that: they're community centres. They arise out of local need and are formed and forged by local interests. They're managed and overseen by local people. When the ministry says its strategy is to enhance community-based services, it is talking, or at least should be talking, directly about community health centres.

The Ministry of Health and Long-Term Care wants to convert 80% of eligible family physicians from the fee-for-service payment model. This is a laudable goal. All of our physicians are salaried. So we agree and we think the ministry should expand community health centres to support this strategy.

The ministry wants to increase recruitment, retention and nursing leadership in our health service. One way to do this is to expand the number of community health centres to provide nurses with the opportunity to work in a team environment, under which they thrive. In particular, nurse practitioners enjoy the CHC environment because it is one of the few places where they can practise to their full scope of training.

One of the key ministry strategies to improve the health care system is to ensure that rural and northern communities have better access to health services. Once again, we agree. Community health centres are all about delivering health services to people and to communities that have not had the same access to services as other communities.

Any way you slice it, what the ministry says it wants to achieve in its business plan can be achieved by investing in and expanding community health centres.

In an effort to assist the government to expand primary health care reform and plug some of the gaps in underserved areas, the Association of Ontario Health Centres has a set of proposals we would like to share with the committee. In October we submitted the business case that you have in front of you, and two weeks ago we submitted phase 1 of this proposal to the Minister of Health. But, in fairness, there has been a change at the helm in the ministry, and we realize it's going to take a little more time for phase 1 to be reviewed.

We would like to see our proposal funded in stages over the next three years, although the committee should understand that the large proposal presented in October, the process for bringing health centres up to their full operational capacity, can take as many as three years. So the full funding maturity of this proposal is more in the neighbourhood of six years, which means spreading the funding over six years as opposed to three.

Our proposal calls for doubling the number of health centres around the province. This would necessitate



adding 65 new health centres in key areas of the province that have identified a need for better basic primary health care and wellness services. I don't think anyone disputes the fact that more and more communities across the province are finding it difficult to maintain their current level of physician services.

Another aspect of our proposal deals with expanding existing health centres so they can better meet the increasing demands and acuity levels needed to maintain quality care. We think the expansion process should be evaluated in year 3 to assess its success and determine whether additional communities could benefit from expansion.

We think the government should move immediately to fund phase 1 of our proposal, which calls for immediate expansion into 13 new communities. In all, 10 new health centres and three new satellite centres would be created, at a cost of \$21.5 million.

We also think it's necessary for the ministry to inject \$15 million into existing centres so they can better serve their communities and better meet the government's health care priorities. One third of this money would be used to address recruitment and retention issues in CHCs. The committee should know that staff in CHCs have not had a salary increase now in almost nine years. Many of our positions are now paid greater than 25% below market norms, causing tremendous recruitment and retention problems. Some \$6.5 million of the \$15 million would go toward hiring more health professionals: 25 more nurse practitioners and 10 more physicians. The remaining portion of the \$15 million will enhance vital health promotion programs that CHCs deliver.

We think this is money well spent, because it will help existing health centres meet some of the most significant cost and program pressures they face. Keeping our community health centres functional is crucial to helping to sustain and improve the provincial system, because we provide service to populations and to areas of the province that, quite frankly, many providers do not wish to service or are incapable of servicing.

The communities that we have identified for immediate expansion include Elliot Lake, Goulbourne-Kanata, Kapuskasing, North Bay, Nepean-North Innisfil, Pickering, Scarborough, South Essex, Sudbury East, Tilbury, Whitewater-Bromley and Zurich. These communities can't wait for the comprehensive services provided by community health centres. We also don't think these communities should have to wait for the ministry to complete its strategic review of community health centres. This review is not slated to be completed and responded to until the spring or summer of this year. We think it is too long to wait to expand a service that is both proven and desired by communities and population groups around the province.

1540

We are satisfied to wait for the review in the context of our full expansion proposal to 65 communities, but we do not feel the existing health centres or the 13 new communities should wait. We also don't think it serves

the government's best interests to make them wait, especially given the current climate of communities competing against one another for scarce health professionals to provide for their basic health services.

I don't think I am going too far out on a limb to suppose that some of the more frustrating calls each of the committee members and other MPPs take from constituents centre around constituents expressing their dissatisfaction and frustration at not being able to access better health services. Our plan takes a big step to ending these phone calls to each of you.

Basically we're saying, "Let us help you." We might be a little biased, but we think our proposal can provide a huge assist to the government in managing the health system and to patients who are trying to gain better care and better access within the system.

How exactly is this achieved? Take hospital emergency rooms—and I guess in the government today you would say, "Please." People go to emergency rooms not because they necessarily want to but because they have no other alternative. Either they cannot gain access to their family doctor or it's after hours and the doctor's clinic is closed. By funding our proposal, community health centres will be in a position to provide 24-hour access, seven days a week. This makes us a natural safety valve and a natural alternative for hospital emergency room visits, which should improve both the patient flow in ERs and make sure hospital capacity is maintained for true emergencies.

We also think our wellness approach encourages people to take better care of themselves, which in turn may prevent illness and result in fewer emergency room visits. We were certainly delighted to see the government expand the flu immunization program. In fact, CHCs hosted a number of community vaccination clinics. We think there are other health promotion initiatives that should be looked at further, many of which could be delivered by our centres. We believe the government should build its prevention strategies using existing prevention agencies such as CHCs and boards of health. There is no need to create new silos when organizations exist that already work in collaboration with many community partners.

I firmly believe that the best emergency room reform strategy has health promotion initiatives at the forefront. As I have alluded to earlier, we also think we have a great deal to offer in helping the government to meet its primary health care reform objectives.

The government is quite correct in wanting to expand primary health care networks across the province. However, we think it is wrong to expect one size or one model to fit all populations.

We think the community health centre model has an important role to play and should not simply be shoved aside while the government and the Ontario Medical Association negotiate networks around the province. We have a proven, cost-effective, measurable model that treats all of the individual's primary health care needs. We can also serve hard-to-reach populations that can

potentially drain hospital resources if care is not provided ahead of time or on time.

When one compares the Ontario government's own primary health care objectives with the services currently offered by health centres, it is clear that health centres are an efficient way to achieve the government's goals.

On pages 9 and 10 of this document, you can see how closely aligned primary health care reform goals and community health centre services are. Some key points from those pages are as follows:

CHCs are leaders in coordination of patient care through integrated teams of health professionals and through the broad basket of services we offer.

We offer 24-hour access to care.

CHCs provide ongoing illness prevention and health promotion education and support to clients. The philosophy, objectives and approaches inherent in community-based health delivery—which are a broad understanding of health and its determinants, an interdisciplinary team approach and a focus on promotion, prevention and early intervention—all help to promote preventative care.

Health centres have established an information evaluation network consistent with the provincial government's requirements.

Our information networks provide outcome measures as well as ensuring accountability on how many primary health care services are being delivered by health centres.

CHCs already work in concert with other health organizations—specifically to name a few, hospitals, community care access centres and public health units—to secure a continuum of care for our patients.

Forty percent of our current complement of CHCs are already established in northern, rural or underserved communities, communities the government has identified as having high needs. Over eighty percent of communities want a CHC to come from these targets as well. If allowed to expand, we can further cut into the underserved-area disparity around the province.

Health providers come to work at CHCs because of the support they receive through interdisciplinary teams. Also, CHCs are currently the only settings in Ontario where nurse practitioners can easily work to the full scope of their training.

We currently register patients in our health centres. Our health centres all have service agreements with the Ministry of Health and Long-Term Care. We are accountable to a volunteer board of directors. As well, through Building Healthier Organizations, our quality assurance and accreditation program, health centres are consistently striving to improve on effectiveness.

Our centres currently conduct ongoing assessments and evaluations of the services they deliver. Patients are generally quite satisfied with the services they receive.

We have no doubt we fit the ministry's requirements and objectives for primary health care reform and we know the ministry has set aside money to implement these reforms. What we are asking for today is to be considered as a viable option for primary health care reform expansion. In other words, help us to help you.

At the risk of again sounding immodest, we believe we are the best weapon for the government in fighting the following health battles.

Underserved areas: twenty-seven, that is 40%, of our centres are in needy areas and our phase 1 proposal seeks to eliminate service gaps in 13 key areas of the province.

Wellness: our philosophy and approach is all about making people well so they don't need to rely strictly upon a treatment regime. We know it's a priority for the government, and we think we are an effective service strategy to achieve this goal.

Emergency rooms, primary health care reform, underserved areas and wellness are four areas the government knows it needs to get better results in if it is to make a dent in improving the province's health care system. In all four of these areas we have a proven and successful record. So today, we ask the committee to help us impress upon the ministry the need to back a winner.

In summary, members of the Association of Ontario Health Centres are in their fourth decade of providing high-quality, comprehensive primary health services to high-needs groups and communities. Our centres feature a multidisciplinary team approach. Our centres provide 24-hour access to coordinated services. Our centre model is built on a broad understanding of the determinants of health. All providers promote illness prevention and health promotion.

Our centres have invested heavily in information technology and we can measure what it is we do and what we achieve. Our centres have a high level of patient satisfaction. Seniors particularly enjoy the CHC experience. Our centres are community-based and reflect the health and service needs of their communities.

Our centres are accountable. We enter into service agreements with the ministry. We are governed and managed by local people and we submit to outside review through the BHO accreditation program.

What we hope to accomplish today is to re-establish our presence and worth in today's health care system and to state very clearly that the key health directions the government has identified as priorities are areas in which we have a proven track record of accomplishment.

We understand the government has made primary health care reform expansion commitments with the Ontario Medical Association, but we hope the government would keep an open mind on other models that can help the government achieve its objective. We are one such model that can meet these objectives, but we also meet other objectives, like wellness and service.

The health care needs in many communities of this province should not be put on hold and made to wait while the government and the OMA figure how best to implement primary health care reform. We have a service model that works in these communities.

We understand the committee cannot endorse our 65-centre, comprehensive expansion plan until more details are known about the government's primary health care reform expansion plans. Yet we think our phase 1 proposal is important for the health system today to begin



rolling back the gaps in services that have popped up through several Ontario communities.

We are proven, we have a plan, and we hope you will see the merits in our plan. Thank you very much.

1550

**The Chair:** Thank you very much. We have a very tight two minutes per caucus.

**Mr Christopherson:** I'll probably spend most of my time, then, bragging about the North End community health centre in my riding in Hamilton, just a fantastic centre. It provides an excellent service in an area that has some challenges, and it goes beyond that, if I might, not just in the health provision, although I will come to that in a moment because it's obviously most important, but over the years—they're almost like a schoolyard, a school property. They've become a focal centre for the community and there are a number of community services that are provided in the area that tend to be based there either on a permanent basis or ad hoc. They often hold special events. Sometimes it's a simple thing, like in the summer they have a barbecue for all the kids and the families in the neighbourhood.

They're great because they can deal with all kinds of different languages. We have a lot of diversity down in the north end of Hamilton. I can't say enough about the health service they provide and the asset and the contribution they make to the immediate community they're in. I'd give my right arm to have a bunch more to put throughout my riding.

In that vein, I wonder if you could tell me what your experience is in terms of attracting doctors to work in the centres. I know you mentioned the 25% gap, but almost as a philosophical work approach, do you find a lot of doctors are open to it, many refuse to even consider it, some are open-minded? What is the general reaction of the docs, especially those just graduating who are looking at a lifetime career in the medical field?

**Mr O'Connor:** I'll answer that question in two ways. First of all, the Ontario College of Family Physicians did a survey about a year and a half ago and they found in that survey that 50% of primary care practitioners in Ontario would be willing to work on salary; 98% of primary care practitioners wanted to get off the fee-for-service system. There is a broad base of physicians who are willing to look at the kind of model we service.

By and large we have the same difficulties recruiting physicians as other parts of the health care system. But when you compare, for instance, in Ignace, the Mary Bergland Community Health Centre in an isolated community in northern Ontario has an easier time recruiting physicians for its multidisciplinary team than a general practice trying to sell its practice in the community. By and large, young physicians don't want to come in and be everything from the emergency room physician to the psychologist, seven days a week, 24 hours a day. They want to work in a team. They want to have backups and they want the ability to have a realistic life, which they can in community health centres.

**Mr Christopherson:** Thanks. Keep up the good work.

**The Chair:** The government side?

**Mr O'Toole:** Out of respect, I think it's important to compliment your input and working with the Ministry of Health. I'm not really up to speed except I'm familiar with other presentations by the health centres.

When Wendy Graham was doing the primary care reform review, I know this was considered and I was surprised they didn't move that model forward then. I know there is discussion and debate with the OMA and the OHA as to who is the caretaker of the system. It's kind of a power thing, actually. But I know the government is looking at a model. It's not really rostering, it's not really capitation, and this sort of sounds as if it fits.

The question is, what kind of feedback are you getting from the ministry? Is that resistance or is it political will? What's missing? If you have a model, it's accountable as you say, and it works, what's the problem?

**Mr O'Connor:** By the way, the Ontario Hospital Association endorses our expansion proposal and says it's something that is critically needed in the province. The Ontario Medical Association supports community health centres for high-needs, high-risk populations. It avoids endorsing community health centres generally. There are concerns within the Ontario Medical Association about endorsing a model that puts physicians on salary. But, that said, I've had many conversations with people in the Ontario Medical Association who support individual community health centres for individual communities that they know there are needs in.

**Mr O'Toole:** If I could just interrupt there, I want to clarify—

**The Chair:** I'm sorry. We've run out of time, Mr O'Toole.

**Mr O'Toole:** —is this more money, additional dollars, or where does the money come from? The \$1 million.

**Mr O'Connor:** It could easily come from the OHIP pot.

**The Chair:** Thank you very much.

**Mr Kwinter:** In theory this system sounds interesting. I have some concerns. I think that if you can get one established in a high-need area, fabulous, because they don't have anything now. If you can get this interdisciplinary team up there, that would be fabulous. But I have some very serious concerns. Number one: I sit on the board of a hospital and we can't get anybody to staff the emergency department at night—and this is Toronto—no matter what you pay. You just can't get them. You have to close it down. When you get the association of family physicians doing surveys saying 54%, or whatever the number is, of our members would rather have a salary than a fee for service, it doesn't ask the question, "At what salary?" Sure, they would love to have that, because if it's fee for service, they've got to go out and see as many patients as they can. If you give them a salary and say, "You're going to work from nine to five and we're going to pay you \$250,000 a year," they say, "Great. Where do I sign?"

That's the issue. The issue is, if there is a doctor shortage now, how do you get these doctors to buy into

this unless you're going to really make it attractive for them? If you make it attractive enough for them, you may get them, but I don't know how that's going to work. At the present time there are incentives by—I'm thinking of communities in the north and other areas. They offer them houses, they offer them all kinds of things and they still can't get them.

So my concern is in the implementation. I think in theory it's great. We haven't got enough time, but I understand that you've designated Scarborough as an area. I don't think Scarborough is an underserved area, but I'd love to find out how Scarborough was targeted.

**Mr O'Connor:** OK, quickly: the community health centre's physicians and nurse practitioners provide care 24 hours a day. That's offered by extended hours, evening and weekend hours, through clinics and through telephone backup, where someone calls in and gets referred to a physician or a nurse practitioner. We have no difficulty doing that. Virtually every community health centre provides that service.

In Scarborough, the target is for new immigrants and mental health survivors. There is a tremendous and growing need in Scarborough for that.

**The Chair:** With that I would like to thank you, on behalf of the committee, for your presentation this afternoon.

1600

#### CANADIAN FEDERATION OF INDEPENDENT BUSINESS

**The Chair:** Our next presentation is from the Canadian Federation of Independent Business. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome.

**Ms Judith Andrew:** I'm Judith Andrew, vice-president, Ontario, with the Canadian Federation of Independent Business. I'm joined by my colleagues Brien Gray, who is CFIB senior vice-president, and Melanie Currie, who is our Ontario policy analyst.

You should have an envelope with our kit before you. I'd like to briefly summarize our brief. In the course of that, I'll lead you through some of the other items that are in the kit and leave ample time for questions at the end.

On behalf of CFIB's 40,000 Ontario small and medium-sized business members, we appreciate the opportunity to make submissions to the Ontario government in respect of the forthcoming Ontario budget. As Catherine Swift summarized in her appearance here before you about a week ago, it's heartening that the signs from our sector, the small and medium-sized business sector, are that high expectations continue to hold for business. Our members are forecasting a strong 5.3% growth in full-time-equivalent employment. We're able to track this on a weekly basis through annual personal interviews with each of our members at their business premise. Through this grassroots leading indicator, the positive forecasts generally hold up and things look very good for 2001.

Just to summarize the small and medium-sized business Ontario priorities for action, which you'll find on figure 1 of the brief, the perennial number one issue for business is total tax burden. In this we also include hidden fees, which are part of the tax burden. The next most important issue for business is government deficit and debt, since this represents tomorrow's taxes. The third-ranked item, employment insurance, while not directly within the Ontario government purview, is a profit-insensitive tax that's important, as too is the workers' compensation premium, which ranks high, and should be matters of provincial interest for their economic activity.

Regulation and paper burden is still a highly ranked concern. I know that some of the committee members around the table have had involvement with the Red Tape Commission. This 61% ranking in terms of red tape being a priority for action does justify a more concerted effort on the part of the Red Tape Commission in terms of tackling regulatory and paper burden concerns, including in the tax arena.

The cost of local government is high. It's a proxy for the tax load. I will talk about property tax in a few minutes.

A shortage of qualified labour has emerged as a serious barrier to small and medium-sized business in Ontario. Just today, we've released our new February 2001 research report, entitled *Help Wanted: Results of CFIB Surveys on Shortage of Qualified Labour*. You will find that full report in the left side of your kit. It's a national study. The breakouts for the province of Ontario are contained on a single page which shows the growth of the problem to the point now where business concern over shortage of qualified labour in Ontario has reached over half of our members, 50.8%.

Within the Ontario data, the sectoral breakdown is very interesting. The construction sector has the highest ranking in terms of business concern over the shortages, followed by manufacturing, transportation and communications, and so on. Based on these broad-based data from our members, we estimate that unfilled jobs in the small business sector in Ontario are roughly one in 20—5.3%—of jobs going unfilled here in the province.

There are some breakouts on the back page dealing with the types of occupations that Ontario small businesses hire, where they're finding the most difficulty in terms of finding employees with certain levels of education, and the important skills and qualities they look for in employees. I think it's also fascinating and very worrisome that Ontario heads the list in terms of provinces where small businesses are saying long-term growth is being harmed by this issue.

The full report contains a number of recommendations in this area. Our finding is that the causes are many and the solutions, of course, will be varied as well. There are quite a lot of solutions that we're proposing, including everything from looking at the immigration system to looking at barriers to market entry and mobility and such things as payroll taxes and better communication with the



education system at all levels by business and, indeed, a more concerted effort by workers to assume a more active role in job search. Finally, we do argue for building private technical and vocational schools right into the education system in a more meaningful manner so that people can plan that particular educational choice among the others that are available.

Continuing with some of the new findings that we have from our members, figure 2 in the Ontario budget brief shows a rating of the Ontario government by small and medium-sized business on a range of factors. The Ontario government received the most positive ratings on things like setting an environment for growth and controlling government spending. At the other end of the spectrum there were poorer ratings associated with things like consultation with the public, understanding of entrepreneurship and social policy, and even taxation policy. So on that latter one there's very definitely a message coming from small business that more needs to be done on the taxation policy front.

I think the fact that Ontario got strong ratings in terms of provincial control of government spending is borne out in the kind of support we see in our surveys for other provincial spending initiatives. In figure 3 you will see that our members are supporting increased spending in health care infrastructure, highways, and science and technology. By contrast, our members prefer to hold the line on infrastructure spending for education facilities.

Looking at the most harmful taxes to business, and this is drawn from our Focus on Ontario surveys for the years 1995, 1999 and 2000, the largest improvements are evident in the employer health tax and on Workplace Safety and Insurance Board premiums. Credit is certainly due on both counts. Certainly the EHT \$400,000 threshold was a very important positive measure, appreciated by business. It's also heartening to see the WSIB premiums going down, although there are still some pretty big challenges there with a remaining \$6-billion unfunded liability and some pretty large financial items on the docket for this year.

The greatest deterioration in this rating of harmful taxes shows with respect to gasoline and diesel fuel taxes, not surprisingly.

Also, it's interesting and instructive to see that retail sales tax has increased as a concern for nearly one third of members, up from about 20%, I believe. Of course, retail sales tax adds to business input costs. Administering this separate tax is duplicative and sometimes difficult, and there is all sorts of jeopardy in dealing with the tax administration authorities.

Personal income tax is showing as having diminished concerns. I think that's a sign that Ontario's PIT relief is starting to be felt. We certainly commend Ontario's leadership on capital gains treatment. Reducing the inclusion rate to 50% is a very positive item. Our members have long opposed a separate personal income tax and would seriously be concerned and resist any deviation on the income definition that would result in that outcome.

Our members also appreciate and support the 2000 Ontario budget measure to increase the threshold for

small business corporate income tax, as well as to reduce the rates. That's a very positive one. It has yet to show up in the survey, but I think as it is phased in, the results will show in the survey.

#### 1610

Of course, I don't think it's surprising to anyone at this table that the most harmful tax identified by our members is property tax. About 60% of CFIB members say that this is a very critical tax for them. They've certainly been voicing their concerns to the Ontario government directly through our action faxes, as well as to municipal governments, and samples of both of those faxes are in your kit.

Last summer, CFIB painstakingly gathered property tax data from 25 municipalities, which we released in an October 2000 study entitled *Property Tax Overdraft*. That study is in your kit. We have subsequently extended that study to cover 70 municipalities, and all of those municipalities' findings are available on our municipal Web site at cfib.ca. You will see in your kit a page that shows the geography plus all of the various communities that can be accessed in terms of that property tax study data.

I guess what was most disheartening about the study is that after three years of property tax reform, we found that little had changed. Commercial properties are still charged two to three times the taxes that a same-value residence pays. Industrials pay three to six times the taxes. It is very positive that Bill 140 took the first modest step in the right direction on the municipal portion. We certainly encourage that hard-cap approach, basically protecting businesses from increases until municipalities reach a certain fairness threshold that will start to rebalance the system.

On the education portion, the Ontario government now controls more than half of the property taxes levied on business, some \$3.5 billion. We're recommending that more relief be delivered on this portion as a means to recession-proof the most vulnerable players in the Ontario economy. The 1998 phase-in of \$500 million of business education tax relief was a start in the right direction. We believe those tax reductions need to be felt in many more communities, in larger measure, and more quickly. We argue for reducing Ontario's average 3.3% business education tax rate, which is in fact eight times the residential rate, down to something like 2%. This would begin to move Ontario into the competitive range with other Canadian jurisdictions.

We're also in the midst of conducting a survey on our members' problems with property valuation methodology and on their dealings with the Ontario Property Assessment Corp, the results of which we are planning to bring to bear on Mr Beaubien's review and as well share, as always, with the policy-makers. The survey that we have in the field on that particular issue is on the back side of the municipal action fax.

I'd like to say a few words on another topic, the perennial problem of small business access to capital. The roughly one third of CFIB members complaining about availability of financing remains stubbornly high.

This means that growth has been significantly constrained for this segment of the economy. A financing gap exists at the low end of the small business range, which we believe could be assisted by a straightforward capital gains incentive. We're not calling for the creation of new intermediaries with costly staff. We think the government could extend a low capital gains tax rate—for example, even 0%—to individuals investing directly and patiently, say for a minimum of five years, in an eligible Ontario small business.

Turning to the recommendations on page 8, summarizing briefly:

The recommendation to reduce business education property tax to 2% is fair, and an important caveat on that is to bar municipalities from moving into the vacated tax room if that's done.

Of course, we continue to encourage the province to adhere to the positive hard-cap principle established in Bill 140 and to address the valuation methodology issues that Mr Beaubien is reviewing.

On employer health tax, the first \$400,000 relief was so positively felt, it certainly resulted in lots of jobs, we would hazard. We believe it's time to increase that payroll exemption threshold to the level of \$600,000, which coincidentally is also the same level as the annual filing threshold, so there would be some symmetry there.

On capital tax, the relief that was delivered last year on capital tax is helpful to a certain degree. We would like to see that tax simplified somewhat and the whole notch problem dealt with by improving and reconfiguring the relief by implementing a first \$5 million taxable capital deduction. That means that any corporation with taxable capital of \$5 million or less would be exempt and others would pay on their taxable capital in excess of that figure. Simplifying that tax would be an enormous boon, as it's extraordinarily complex and difficult to understand.

On the fee front, we urge the government to fulfil its pre-election commitment to publicly identify provincial fees and charges paid by business, to review those provincial fees as promised to determine whether they exceed the cost and the value of the service provided and, I expect via the Municipal Act, extend those fee-setting principles to the municipal level of government.

On corporate income tax, the last item under that category on page 10, we have suggested a form of tax assistance along the lines of what Catherine Swift spoke of, perhaps a widely applicable tax credit to encourage electronic business development.

Under personal income tax you'll see the recommendation there that I just spoke of on financing, the capital gains incentive for direct financing.

A couple of smaller ones in terms of updating, but well overdue updating, would be on the retail sales tax exemption on restaurant food. Update that \$4 amount and update the compensation for retail sales tax collection to the small retailers who do yeoman's work for government collecting that tax on its behalf.

Thank you for your attention. I'd be delighted to try to answer your questions.

**The Chair:** Thank you very much. We have approximately two and a half minutes per caucus, and I'll start with the government side.

**Mr Arnott:** Thank you very much for your presentation. We appreciate hearing from you again and appreciate the specific recommendations that you've offered this committee.

You've made a good suggestion on the capital tax changes. This morning we heard from the Canadian Manufacturers and Exporters. They suggested scrapping it altogether. We're trying to get a figure as to what that would cost the treasury in the short run. I think your suggestion might be a very good first step and I would certainly highly recommend it to the Minister of Finance.

The other issue I wanted to engage you in is the employment insurance premiums issue because we, as the provincial government, feel that we've done as much as we can to encourage the federal government to revisit this. We know there continues to be an unacceptably high surplus in the EI account. I assume you're encouraging your members to follow up with their local federal members of Parliament. We've got to continue to work on that issue.

**Ms Andrew:** In every way we can, and we appreciate this government's support. We have a number of recommendations that we're making to the federal government, things like moving to a 50-50 split on premiums, reinstating the new hires program, looking at the implication of people going off on leaves, perhaps there can be some relief on the replacement person, all sorts of ways to try to bring that payroll tax down.

*Interjection.*

**Ms Andrew:** Oh, yes. Overpayments on the part of employers, that's another one.

**The Chair:** The official opposition, Mr Cordiano.

**Mr Cordiano:** I want to zero in on the property tax question because I think the discrepancy continues to be quite enormous in terms of evaluations. As you've pointed out in your brief, there's a \$10,000 discrepancy between a similar business value in Brockville or in that part of the province compared to something in Parry Sound.

This is the eighth tax bill that we've seen brought forward by this government. Maybe you can help explain why it is that they're not getting it right. What's the resistance here?

**1620**

**Ms Andrew:** It's an enormously complicated area to tackle, so they do deserve credit for having tried to reform it. Back in 1995, when we did our first study, Silent Killer, we documented some of these horrendous imbalances in the system and urged the government to fix them. They're not things that are going to be fixed overnight, so we're kind of happy that Bill 140 is starting to fix them. But we need a lot more direction to municipalities in terms of narrowing the business-residential gap.

I was just passing around some charts. The problems are most acute in Toronto. If you look at the gaps here, it's just—



**Mr Cordiano:** You're looking at the gap between residential and commercial. I'm talking about similarly valued businesses in two different parts of the province.

**Ms Andrew:** And a big part of that is the history with the business education portion. That's of course now all under the province's wing. School boards had bargained various contracts over the years and had ended up with very differing rates across the province. To deal with those, we're arguing that they need to basically buy the 3.3% average rate down toward 2%. Ideally, you'd want to bring it down so that there weren't those discrepancies. It's a lot of money.

**Mr Cordiano:** Yes. I think the whole objective here is to level the playing field. Ultimately, if you're going to lower the revenue, which is what you're suggesting, going from 3.3% to 2%, that revenue is going to have to be made up somewhere for education. There are some substantial differences.

**Ms Andrew:** Business is paying eight times what residents are paying. So the taxation is a different calculation from the actual funding formula for the schools, which is a little more uniform, and the province makes up the difference.

**Mr Cordiano:** I can't imagine, though, any of us trying to sell an increase on residential property taxes. It's just not going to fly.

**Ms Andrew:** No, we're arguing that on the business education portion, the province use its financial resources to bring that rate down.

**The Chair:** With that we've run out of time, Mr Cordiano. Mr Christopherson.

**Mr Christopherson:** We argued in the last budget that they should do that. Even if it meant some of the tax cuts would be lessened or phased in longer, that was a priority. I've mentioned this to you before. But certainly if you want to see a classic example, take a look at downtown Hamilton and the problems there because of the introduction of the change and then capping it. We're bleeding away in downtown Hamilton. I've also mentioned the same thing on Concession Street on the mountain and in Westdale in the west end of my riding. So it's happening everywhere.

You mentioned municipal taxes. I just wanted to point out—this is today's Hamilton Spectator—"15% Hike for Water and Sewer," not because these politicians want to raise taxes any more than anybody else but because they've—and we had a presentation from the infrastructure association. Just in terms of the long-term sustainability of the community, you've got to have the sewer and water lines in place, as well as for the business end of it.

Anyway, my point is that you're encouraging tax cuts continue at the same time we're seeing revenue dropping. We've had a couple of scenarios today where it's likely we're going to see the government in a potential deficit position. The only way they can prevent that is to not implement the tax cuts they've already announced. If they insist on doing that, then they're either going to run a deficit or they're going to have to cut expenditures.

You can bet that municipalities are going to be on the front line, because all the downloading has put tremendous—I've said from the beginning that my heart goes out to all municipal councillors, who are struggling. They've got nobody else to dump on; they're the end of the road. This is what happens in the real world when you do that.

Every business group has come in and mentioned property taxes as a priority. We even had Mr Porter, who was in here earlier from Nesbitt Burns. I don't want to put words in his mouth—I say that for the record—but basically his message was, sort of, back off a bit on the tax cuts in the short term—he was still committed in the long term—because of the situation we found ourselves in. It's rapidly changing in terms of this situation we're in.

All of that is to say that it would seem that regardless of ideology and philosophy about tax cuts, the prudent, immediate, short-term approach should be to back off with the tax cuts, keep your eye on the expenditure side of things, and if balancing the budget is the priority, then that's the only way to approach it. Anything different than that means you've either got to increase revenue or start cutting, and cutting, I'm suggesting to you, means municipalities are going to pay the price. To me, it seems you may be arguing against your own best interests by urging the government to make tax cuts the absolute priority at a time when doing that means they're going to be in a deficit position.

**Ms Andrew:** We definitely believe the message from the job creators, who are most harmed by profit-insensitive tax, is that something has to be done about property tax. That is a recession-proofing measure.

**Mr Christopherson:** Oh, absolutely.

**Ms Andrew:** If you don't fix that, then you're going to have more people on the street and fewer tax dollars rolling in the door.

**Mr Christopherson:** I want to be clear. When I'm saying "tax cuts," I'm talking about the corporate tax cuts and the income tax cuts, not the cuts you're mentioning. I agree with you that we've got to keep municipalities strong, financially, or the budget is not going to work.

**Ms Andrew:** I don't disagree that the area of municipal finance needs to be settled. There have been allegations back and forth about what's been downloaded. That needs a forensic audit, frankly. There was an audit in Toronto and it certainly looks as if they weren't feeling the downloading to the extent that some of the politicians were claiming. It's not a bad thing that the residential voter is going to have an opportunity to keep local politicians accountable for their spending. If politicians can continue to load an unfair portion on the business sector and the residential voters aren't paying their fair share, they're going to naturally want more spending. In the ultimate analysis, that's going to mean fewer jobs for those residents and for their children. It's a short-term, long-term thing in terms of cushioning the residents.

**The Chair:** With that, we've run out of time.

**Mr Christopherson:** I should say that the pressures are greater than just the downloading. It's also the issues

they have to deal with. They have the upward pressure on them.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

**Ms Andrew:** Thank you very much. I tried to circulate some that would be pertinent to your particular communities, so I hope you found what you needed there.

**The Chair:** I have just been informed that the next presenters are not here yet, so we'll take a short recess.

*The committee recessed from 1627 to 1629.*

#### ONTARIO ASSOCIATION OF NON-PROFIT HOMES AND SERVICES FOR SENIORS

**The Chair:** Our next presentation is from the Ontario Association of Non-Profit Homes and Services for Seniors. First of all, on behalf of the committee, welcome. Could you please state your names for the record.

**Ms Donna Rubin:** Good afternoon, ladies and gentlemen. My name is Donna Rubin. I'm the chief executive officer of the Ontario Association of Non-Profit Homes and Services for Seniors, commonly known as OANHSS. I'm here today with Reg Paul, a member of our board and our association's treasurer.

Our organization very much appreciates the opportunity to present our views to the standing committee as part of the provincial pre-budget consultation process. We believe the committee can make an important contribution in raising the awareness of the Legislature, the Ministry of Finance, the media and the public at large regarding the critical need for adequate operating funding in the long-term-care sector.

OANHSS is a voluntary, province-wide, non-profit association which for over 80 years has represented non-profit providers of services and housing for seniors. Our 400 members from across Ontario span the spectrum of the not-for-profit, long-term-care continuum, including municipal and charitable homes for the aged, non-profit nursing homes, seniors' housing projects and community service agencies.

We are committed to exploring the best ways of providing and delivering much-needed health services and programs to our clients. Last fall, all MPPs received a comprehensive package of information from us as part of our ongoing facility funding awareness campaign. It will be my intention today to highlight certain aspects of our concerns and update you on recent developments. We will also be leaving with you today two key recommendations which we hope you will seriously consider when formulating your advice to the Legislature and the government.

Last year in our submission to this committee we warned, "We must invest in our own future, and we must do it now." We indicated that our members, as front-line providers of care, were "increasingly frustrated with and constrained in their ability to maintain innovative, responsive quality programming for seniors."

The situation for providers and those to whom they provide care continues to worsen. Government funding for the operation of municipal and charitable homes for the aged and nursing homes is not keeping pace with the changing requirements of residents who today are being admitted with far more complex health care needs. As a result, our facilities are now finding their ability to provide adequate, appropriate quality care is being compromised. These two factors, continued underfunding by the provincial government and an older and sicker resident population with increasingly complex needs, are causing major stresses in the system. Something has to give, and it should not be the residents or their families. We are rapidly approaching the point where our facilities can no longer cope.

We have estimated that the Ontario government is now underfunding long-term care by at least \$230 million a year. The number is in fact higher and continues to grow as more information and analyses become available. That is the minimum amount of new funding required to meet current demands. Significantly more will be needed to address future needs. Currently, Ontario long-term-care facilities receive an average of about \$100 a day for each resident. Of this, about \$60 is paid by the province, one of the lowest rates in the country, with the balance coming from client payments.

Over the past two decades, the average age of long-term-care residents has increased from 73 to 86. The typical resident today is not only older but also sicker, often having multiple chronic illnesses and being in need of more care. As well, about half of all residents suffer from Alzheimer disease and other dementias.

So what is happening? Faced with this underfunding situation, long-term-care facilities have had little choice but to cut back on programs and services. This means they have had to reduce the level of individual care as well as the personal support for activities of daily living. For example, routine bathing may be provided only once a week. The care provided is still of the highest quality but the level, quantity and intensity of that care is not what it should be for the residents of Ontario or their families. Each registered nurse in many of our facilities now looks after an average of 60 residents in a normal day shift and over 100 in a night shift. Keep in mind that these staff are now looking after people with much higher care needs than in the past.

According to Ministry of Health and Long-Term Care statistics, there are about 14,000 Ontarians currently waiting for placement in long-term-care facilities. In some communities the wait can be as long as four years. The Ontario government has announced the creation of an additional 20,000 beds, but most of these will not be available for several years. In the meantime, many facilities are having to turn people away who need long-term care. Even when the much-needed and much-appreciated 20,000 new beds are added, the problem of understaffing and inadequate levels of care will continue to plague the system as long as the province fails to provide the necessary day-to-day operating funding.



As you're well aware, the province's acute care hospitals are crowded with elderly patients requiring long-term care. These individuals cannot be discharged, often because there's nowhere for them to go, so they remain inappropriately placed in hospitals at about \$400 per day, or four times the cost of long-term-care facility placements. Long-term-care facilities, if properly funded, could help alleviate this problem.

It is worth noting that provincial government spending on long-term care represents only 13.6% of the total Ministry of Health and Long-Term Care budget. About half of the \$3.1-billion long-term-care envelope goes toward facility funding and the other half to community-based services. Increases in ministry expenditures in the long-term-care area have recently been averaging less than 1% a year. This is clearly inadequate, given the current projected rising demand for services.

The future: in Ontario, the 85-plus age group is expected to increase fourfold by 2028. Currently, there are some 100,000 people in Ontario who have Alzheimer disease. This number is expected to triple over the next 30 years. According to the Ministry of Health and Long-Term Care, the number of people with dementia will increase 85% by 2010.

In spite of the good intentions of this government and previous governments, and some substantial steps taken to address certain funding concerns, long-term care in Ontario is in crisis. With an older and sicker resident population, staff stretched to the limit, long waiting lists, people being turned away from facilities and lack of proper funding from the government, is it any wonder that many long-term-care facilities are at a breaking point?

OANHSS and other provincial provider associations have been working with government as part of the current budgetary process to more accurately quantify the crucial need for increased operating funds for facilities. These figures are now before cabinet and therefore cannot be released. It's for this reason that we continue to reference the need in terms of a minimum of \$230 million.

Finally, a longer-range vision and plan is also needed. Longer-term, the province must invest significant new money in long-term care to ensure needs are being met for a growing and aging population. We are committed to working with the new Minister of Health and Long-Term Care, the new Minister of Finance and all members of the government and Legislature to address these very serious concerns.

In summary, our recommendations are:

(1) Increase immediately the government's share of the provincial residential per diem payments for long-term-care facilities by at least \$11, from \$60 to \$71, thus increasing operating funding for these facilities by a minimum of \$230 million per annum. Again, please note these numbers are adjusted and higher in the material currently before government.

(2) Develop a long-range plan to increase funding for long-term-care facilities so as to ensure the continued

delivery of high-quality, complex care and to meet the growing need for long-term-care services in Ontario over the next 25 years.

Thank you very much.

**The Chair:** Thank you very much. We have approximately five minutes per caucus. I'll start with the official opposition.

**Mr Kwinter:** I appreciate your submission. I represent a riding that has the largest concentration of seniors in Ontario. There isn't a week that goes by I don't have a constituent—their families, actually, not the constituents—coming in to tell me about the problems they're having getting some sort of accommodation for their parents, who are in dire need of long-term care and just can't get it. They have no way of getting to it.

**1640**

I'm curious to know about the figure you talk about where you say the increase is "averaging less than 1% a year." Is that capital or operating?

**Ms Rubin:** That would be operating.

**Mr Kwinter:** So in effect there is no increase because the rate of inflation has been much higher than that. You're actually getting less money each year, even if they give you a 1% increase.

**Mr Reg Paul:** Yes. In fact, it also doesn't properly address the acuity increase because we know that acuity across the province—Ontario has one of the lowest percentages of institutionalized care across Canada and therefore we know people are staying in the community longer, which is good. When they do come into our homes, their care needs are higher and the percentage of care, which is measured presently and which does not properly assess and measure cognitive impairments, is much higher than even measured. We are falling behind both from an inflationary standpoint and from a care standpoint. It's being adjusted on a base that was terribly inadequate when it first came in. The amount of funding in 1993 was just under \$80 per resident day on average under the level of care system and we're up to somewhat just under \$100. We're adjusting an inadequate base, so it makes measurement as a percentage a difficult one to deal with.

**Mr Kwinter:** I also have first-hand knowledge of the problem you're talking about where there are people in long-term-care beds in hospitals who should be in long-term-care facilities, where the savings are fairly dramatic, like a quarter of the cost, and yet they have no place to go. They're taking up the space and there's nothing you can do about it. They're just there. You can't put them out on the street, so you have to keep them.

**Ms Rubin:** It also suggests it's not a quality environment for them to be in. At least we consider our facilities as homes for people. Then of course there are the people in the community. If they're ineligible for long-term care, they need access to 24-hour care. If they're in the community and they have to wait two to four years, they're in dire straits. They also are a burden to the caregivers who need to care for them, and it may be an elderly spouse of

86 years of age or older who's caring for the individual as well.

**Mr Kwinter:** The 20,000 long-term-care beds that have been announced, what is your estimate as to when they will physically be on-line so they can start receiving residents?

**Ms Rubin:** They're starting to come on board, but slowly. Of course they're being monitored to open by the year 2004. The whole industry is either building or re-building, and that will put some instability in the industry for the next period of time. We have in our sector approximately 80 facilities that will have to be rebuilt because they don't meet current design standards, and while they're going through that process, they're not going to be able to accommodate even the full number of people they've got residing in them right now. As you close a facility, you have to do something with the people who are living there. That means the industry's going to be in flux.

**Mr Kwinter:** Those ones that are being retrofitted, are they included in the 20,000?

**Ms Rubin:** No, they're separate and apart.

**Mr Cordiano:** I think it's clear the province is facing a huge crisis when it comes to long-term care. To be fair to everyone concerned, it has been a problem that didn't just emerge yesterday. It has been around for some time, but I think we're seeing now an acute crisis that is emerging. You note in your brief that there are 14,000 Ontarians currently waiting for long-term-care facilities. Obviously you expect that to grow over the next number of years.

**Ms Rubin:** With the new beds coming on stream, we hope that will alleviate it somewhat, but given the demographics, there will continue, in our opinion, to be a real need. In fact, unless there are investments to also increase appropriate housing for seniors, including supportive housing, facility care is not going to be enough.

**Mr Christopherson:** Thank you for your presentation. I have to tell you that I've heard it anecdotally, I hadn't seen it in writing, and it enrages me even more to see it in writing where you state, "For example, routine bathing may be provided only once a week." That's pretty disgusting, especially given the fact the government did have \$4 billion, of which the very wealthy got the lion's share and here we have other people literally living in conditions you wouldn't imagine are happening here.

You told them last year, a lot of us told them, "For goodness' sake, don't go with the tax cuts until you've taken care of a whole lot of infrastructure stuff, up to and including balancing the budget," and they just roared straight ahead and did it anyway. What really hurts is that if you've got the money, you can buy your way out of this problem. This is a problem faced by the majority of Ontarians but not all Ontarians. If you've got enough money, you can cut a cheque that will take care of your mom or dad without any problem, and you'll get Cadillac services. There's lots of it out there. You don't need to worry about this, but for the vast majority of people who

need this, they didn't get the benefit from the tax cut and it's their mom and dad who are getting a bath once a week. I'd use stronger language if I were elsewhere. It's so damned infuriating to see this happening.

Let me ask you: if I'm getting this right, the theory versus the reality, the theory is that, as much as we can, we want to move people out of the institutional setting of a hospital, have them in their home and provide the services from the community. It's cheaper and people will have better surroundings. Their environment is better, their home and their family are there, and we bring the services to them. Even though some say it's a marginal saving at best, it's a better quality of life, if nothing else, and there is the argument that it does save money. Only when we get to the point where they can no longer be sustained by bringing the services to them from the community into their home do we then move them into a long-term-care facility—not back to a hospital, because they don't need that kind of intensive care. Mr Kwinter has already covered the difference between acute care and chronic care.

If I've got that correct, one of our problems here is that at this point now—in fact we're already getting behind in time—if you will, we know that although there will be more and more people being served and treated in their homes, ultimately they're likely to end up, for a short while anyway, in a long-term-care facility. The baby boomers, the numbers alone, the growth in the population will necessitate more expenditure at that end of the health care continuum, and yet now, when we should be making the investment for our long-term care, we're down to—what?—you said 1%. That's pathetic. One per cent is not going to do it.

My question to you is, if we keep ignoring it, does it not mean at some point we're going to have more and more people spilling out of the system, sitting at home and not getting the services they need? That's already happening in some cases. Talk to VON workers and some of the CCAC case managers and they'll tell you. But it also means it's going to cost us a lot more as a society down the road if we're committed to providing that as part of our health care continuum. Is that not the price we're going to pay? It's no different from not upgrading the sewers and water. When you don't do it, you end up with one of these headlines that we've got in Hamilton, "15% Hike for Sewer and Water." It would have been a lot cheaper if the senior governments had stepped in and helped municipalities along the way earlier.

**Ms Rubin:** You've got it absolutely right, Mr Christopherson.

**Mr Christopherson:** I was afraid of that.

**The Chair:** The government side, Ms Molinari.

**Mrs Molinari:** Thank you very much for your presentation. Health care has been under review since this government took office, and with the Hospital Services Restructuring Commission that did the study, it was recognized there are a lot of areas that need to be improved and changed in order to serve the aging popula-



tion. We can't keep doing things the way we were doing them when the population is changing. We need to change toward the need. That study was very valuable. Some of the recognition was the fact that there is a growing aging population. That's why the 20,000 new long-term-care beds were introduced back in April 1998 and the need for that has been moved up in order to provide for that sooner. The target now is 2004, when we hope to have the 20,000 long-term-care beds.

1650

There are a number of areas the Ministry of Health has recognized and looked into improving. The 6,438 new long-term-care beds are being developed as a result of some of the requests for proposals from 1998, and in 1999 there are an additional 6,291 that are being developed in that area.

You talked as well about the interim issue, where there are people who are in a facility in a situation where they need to be moved into long-term-care beds and they're not available. I don't know whether you're aware that there was a process undertaken to review what was needed in this area and, to date, 1,716 interim beds have been approved. There are another 562 that are in negotiations to accommodate some of those.

You also indicated the rebuilding, refurbishing and restructuring of some of those that definitely need it. The ministry has recognized that those are also areas that need to be addressed.

Health care, along with some of the other issues, is evolving. With an aging population, where people are living longer, it could be said that we have a good health care system that provides the medication and the care one needs to live a longer life, but then there are challenges we need to address, and that's how to properly and adequately care for them. I'm disappointed to hear from your presentation that in fact, if that's the case, they are only given a bath once a week. I think that's rather sad and certainly that's something that needs to be addressed.

I know the Minister of Health and the new Minister of Health will value and be in consultation with organizations like yourselves to come up with recommendations on ways we can continue to improve those areas. Some of the things you've indicated here, certainly this is the appropriate committee for funding. That may be one area where that can be done, but there are a lot of other efficiencies in areas that need to be addressed as well. The Minister of Health and the government are committed to doing whatever we can to improve health care for the aging population.

I thank you for the suggestions you've made here. I'm sure the Minister of Health will look at them and take them into consideration along with the others.

**Ms Rubin:** Thank you.

**The Chair:** Any comments?

**Ms Rubin:** Yes, I'd like to make one comment. I think that while it is well intentioned to provide the 20,000 new beds and the rebuilding, the reality is that the money to do so, particularly in our sector, has to come out of any surplus or operating efficiency that could

possibly be found out of the operating dollars. So already when we're in crisis, the need to rebuild and to build 20,000 beds in the not-for-profit sector, and particularly charitable homes, which have very little additional money, that alone is going to make it increasingly difficult to provide quality care.

**The Chair:** With that, I'd like to thank you for your presentation this afternoon on behalf of the committee.

#### MEDICAL REFORM GROUP

**The Chair:** Our next presentation is from the Medical Reform Group. I would ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Dr Ahmed Bayoumi:** Good afternoon. My name is Ahmed Bayoumi. I'm a general internist, a physician in Toronto. Thank you for the opportunity to appear before the committee. I'm going to go through the document that has been distributed.

The Ministry of Finance has indicated that Ontario's economy remained strong through the last quarter of 2000. Against this backdrop, funding for the health care sector increased in the last fiscal year. Spending must, however, be measured in terms of per capita funding, adjusted for inflation and overall economic growth. In relation to economic growth, and considering inflation, spending in 2001 will still lag behind what it was in 1995. Furthermore, deep cuts to other sectors, such as welfare, housing and education, have had significant deleterious effects on health. In addition, changes to both the funding and policies of the health care system have left it vulnerable to privatization.

I'm here on behalf of the Medical Reform Group, which was formed in 1979. We are a group of 200 practising physicians and medical students. The MRG represents the views of its members on health and health care matters through research, public statements and consultation with other groups who share our aim of maintaining a high-quality, publicly funded universal health care system. The MRG believes health is political and social as well as medical in nature, and that health care is a right.

We have several specific recommendations for the committee.

The first is to reinvest in social programs. The MRG has long recognized that the greatest improvements in health are achieved through spending on social programs. Good housing, sanitation, education and nutrition are essential for good health. In Ontario, babies born to parents living in poor neighbourhoods compared to those born in wealthy neighbourhoods are twice as likely to die in infancy. At birth, boys of families with the highest income level can expect to live 5.6 years longer, and girls 1.8 years longer, than those with the lowest income. Eliminating these differences would have the same impact on Canadians' life expectancy as eliminating all deaths from heart disease. Ontario health survey data

show that 69% of those with high incomes report very good or excellent health, compared to only 43% of poor Ontarians. Four per cent of the wealthy but 19% of the poor report a long-term activity limitation. Deaths among homeless persons, unknown before 1995, are now commonplace.

Alleviating the effects of poverty will improve health. The next Ontario budget should increase welfare payments, restoring payments to 1995 levels, immediately restore funding for new social housing in Ontario, and address the decline in education standards throughout the province. The MRG unequivocally opposes any new cuts in social programs or further tax cuts for corporations or the rich.

Our next recommendation is to bring in integrated and effective primary care. Hospital restructuring has created more pressure for reinvestment in primary health care and community support for frail and at-risk populations. Primary health care reform is long overdue in Ontario. OMA pilot projects have done nothing but stall necessary restructuring. Many Ontarians find themselves without a primary health care provider or with no one to speak to for medical advice after hours. Telehealth will provide some telephone advice and triage, but it cannot take the place of an organized, comprehensive, accessible and appropriate primary health care system. All Ontarians deserve 24-hour care, seven days a week, instead of piecemeal care which is fragmented, inappropriate and wasteful.

With federal dollars earmarked for both primary health care and information technology, the 2001 budget should and must build a strong foundation to support secondary and tertiary health care. We need a well-funded and well-organized primary health care sector. Ontario currently has 56 community health centres, which provide comprehensive primary health care. These centres demonstrate what we know from the published scientific literature: teams of doctors, nurses, nurse practitioners, social workers and other health care providers can make our health care dollars go further by using non-physicians to deliver appropriate care. Nurse practitioners, working in collaboration with family physicians, can help address the fact that many Ontarians cannot find a doctor. Health centres, group practices and networks can be funded to provide effective home care services, after-hours care, urgent and same-day care, obstetrics and palliative care, as recommended in the 1996 PCCAR report. By investing in good primary care, with appropriate incentives to enhance the delivery of effective preventive and therapeutic services, the province will save money in treating illness and its complications. The MRG calls on the government to make that investment now.

Our next recommendation is to establish universal pharmaceutical insurance. Since the imposition of user fees for prescription medications covered by the Ontario drug benefit formulary, our most vulnerable residents have had to pay more and more out-of-pocket expenses for their medications. Such expenses totalled \$200 mil-

lion in 1997-98 and \$215 million in 1998-99. This is a significant amount. It represents approximately one of every six dollars spent on prescription drugs. Even seemingly small copayments can severely limit access for the most vulnerable groups in Ontario. Recent data from Quebec illustrate how user fees for drugs lead to severe adverse health effects. Additionally, the Trillium drug program often falls short of providing the requisite level of assistance.

An alternative to user fees, incomplete coverage and high deductibles exists. Universal drug insurance is both just and feasible. Universal drug insurance is viable and more economically attractive than the limited public insurance available currently. Universal coverage allows for risk pooling, eliminating unfairly high deductibles. Economies of scale allow for potentially large cost savings. In addition, universal coverage may save money in some situations by eliminating gaps in coverage, which ultimately result in worse ill health and unnecessary hospitalizations.

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Our next recommendation is to make home care accessible and accountable. Home care services in Ontario are in serious trouble. About half of all people who need home care must purchase services privately or rely on family and friends. In some areas, such as Metro Toronto, the availability of home care services is severely limited. The decrease in access is contemporaneous with a shift in how home care services are delivered in Ontario. Since April 1999, community care access centres have acted as brokers for health care, with private for-profit agencies competing for these services. The impact of this change in policy has been a decline in the accessibility and reported quality of home care services in Ontario. Additionally, details of the contracts between the community care access centres and the province are not public. The result is that there is no public accountability left in the home care system. The next budget should increase the amount of public funding for home care, but even more importantly, should restore a universal, publicly funded home care system in accordance with the Canada Health Act, an act this government has endorsed.

Our last recommendation is to keep funding for health care in the public system. Home care services are the most glaring example to date of how privatization of the Ontario health care system leads inexorably to a loss of quality. But privatization is increasing in other areas as well. During the 1990s, the proportion of funds spent on health care which were private increased from 27% to 34%. We are witnessing a determined shift away from the very concept of social insurance. In real terms, fewer costs are paid through public insurance and more are paid directly from households. This is already occurring, for example, with the last government's institution of user fees, and we are also witnessing the increasing stratification between those who can afford to pay for these services and those who cannot. Examples of privatization are: the private provision of home care services; user fees



for prescription drug benefits; delisting of prescription drug benefits; and increasing reliance on private providers for long-term care delivery.

The hospital sector is also threatened with privatization. The current government's last election platform, the Blueprint, states, "Hospitals will have their funding directly tied to how well they live up to their service obligations ... under the Patient's Bill of Rights." Hospitals that do not perform well on standardized ratings will have, to quote again from the Blueprint, "health care efficiency and service experts ... revamp their systems," a phrase loaded with the jargon of privatization.

Cost shifting is not cost saving. The provincial government may be able to claim that they have saved money because they are asking others to pick up the tab, but most Ontarians will be worse off, particularly those with poor health or limited financial resources.

Privatization will lead to a worse quality of care, a weakened public health care system, and diminished access to care. The only effective defence against privatization is a strong, universal, accessible, publicly funded health care system. The budget should reflect this commitment.

Recent economic indicators suggest that the US economy may be experiencing a downturn, and perhaps heading for a recession. The MRG is concerned that crisis language serves well the agenda of those eager to dismantle or weaken social insurance. During the severe economic recession of the 1980s, governments in Canada used the state of the economy to justify cuts in social programs. The experience in health care is instructive in this regard: a large body of literature indicates that public administration of health care funds is the most efficient use of these resources. A decision to bolster, not weaken, publicly funded insurance programs in times of economic downturn is evidence of both rational decision-making and visionary political leadership. Thank you.

**The Vice-Chair:** Thank you very much for the presentation. We have about six minutes per caucus. We begin with Mr Christopherson.

**Mr Christopherson:** Thank you for your presentation. You said an awful lot in a very concise document. You cover so much ground it's hard to know where to start.

A macro question: what is your sense of where the young doctors who are graduating now from med school are at vis-à-vis the kind of reform that you and, would you say, 199 colleagues support? At this point I don't think the OMA is onside nearly as much, to put it mildly. Do you sense a change with young graduates?

**Dr Bayoumi:** I think it's not just young graduates, but doctors in general are eager to see primary care reform brought in. Surveys of physicians show there is actually considerable support for changing the way primary care is delivered. It's not a situation that leaves a lot of primary care physicians particularly happy—the way they're able to practise health care—and I think young physicians see that perhaps more acutely because in training they are exposed to a variety of different scenarios, many

of which are scenarios in which physicians are not practising what they consider optimal.

**Mr Christopherson:** So you think it's maybe a misconception to believe—if you talk to folks in the know about this, there are a number of people who will say, "It's a lot of the docs who benefit from the entrenched system and they don't want to change from it," but we're hearing something very different from you and a previous presenter.

**Dr Bayoumi:** I think if you actually look at the surveys critically, you will see that some people do in fact not want the system to change, but there is a very large proportion, particularly of primary care physicians, who are unhappy with the lack of progress in primary care reform. Primary care reform would not be something that would be resisted, I believe, by the majority of primary care physicians in Ontario.

**Mr Christopherson:** That's good to know, because what it means is that the only foot-dragging is on the part of the government, which talks a good story but doesn't seem to want to move on it.

I want to commend you for linking the whole issue of social services that are provided directly to the health care system, because they are inseparable. You make the statement that you've long recognized that the greatest improvements in health are achieved through spending on social programs.

For a long time, long before Walkerton came around, I pointed out that the biggest single advancement in improving the public health of any citizenry was not the introduction of new magical drugs, not the introduction of new surgical procedures and not the introduction of new technology; it was the provision of clean water. Clean water being provided to the general public was historically the single biggest improvement in the health of the general population, and we sometimes lose track of that. Again I applaud you for linking that and it will be helpful.

I'll be talking about two things and then I'll give you a chance to respond to any of what I've mentioned.

You talk about the need for universal pharmaceutical insurance, something the NDP has long believed in, both provincially and federally, and we can afford it. In fact, it will save money in the long run. But again we're into, "Those who can afford to don't need this kind of program," and unfortunately they are speaking with the loudest voices, at least in terms of who this government is listening to. Is it your experience—I hear this anecdotally—that a lot of seniors, because of lack of discretionary funds and increased user fees, are doing more and more self-medicating? Because they can't afford the full complement of their drugs, they're deciding which drugs they can take today and which ones they can hold off on until tomorrow. Is that an issue as you see it?

**Dr Bayoumi:** I think it's a very real issue, and anecdotally I hear it as well. We have real, solid research evidence from Quebec that seniors are not taking their medications as they should because of the imposition of user fees, which are real barriers to people treating

themselves as they appropriately should, and with serious health consequences. People are getting sick and dying.

**Mr Christopherson:** You raise the issue also of home care services. In fact, you state, "Home care services in Ontario are in serious trouble." From where I sit, anyway, there are a number of issues. We went through a long strike in Hamilton with VON. Because of the government's managed competition, what's happening is that privatization is in home care services in a big way and it's having a huge downward pressure on wages, which means a lot of nurses, who are in scarce supply, only stay for as short a period as they can at \$13 or \$14 an hour, waiting for a chance to get into a hospital where they're back into a union setting and getting decent wages, and who can fault them for that?

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There are two things there: one is the government's overall strategy and plan, which we've said from the beginning was to lower the value of all labour, whether it's professional skill trades or manual labour. They want to depress and lower all of that because it creates the kind of economic climate where their friends can move in and make a pile of money, and they've now introduced privatization into this where there are non-union entities that are competing with organizations like the VON which are unionized, and those organizations are having a tough time competing. Those, at least in the view of Hamilton, are a couple of the key problems. Would you agree with that?

**Dr Bayoumi:** Absolutely. We're seeing in the hospitals that we're having difficulty arranging home care for people in the community. It's exactly the opposite of what the overall thrust has been in the last few years, which is to move care into the community. We can't move care into the community because there aren't people to provide that care, and that's a direct consequence of privatization.

**The Vice-Chair:** We will now move on to the government side.

**Mrs Molinari:** Thank you very much for your presentation. You are a group of 200 practising physicians and medical students who are part of the Medical Reform Group, right?

**Dr Bayoumi:** We are approximately 200 now.

**Mrs Molinari:** Are you familiar with the Association of Ontario Health Centres? They presented to us earlier today and the topics are relatively the same. Are you familiar with this organization?

**Dr Bayoumi:** Yes.

**Mrs Molinari:** Were you here for the presentation?

**Dr Bayoumi:** No, I was not.

**Mrs Molinari:** One of the things they talked about with respect to primary care reform, one of the ways they suggest, is that physicians be on salary as part of a multi-disciplinary team. Expanding health centres would provide salaried positions for 375 more physicians and 50% of family physicians would accept salaried payments according to a recent Ontario College of Family Physicians survey. Would you agree with that statement? What are your views?

**Dr Bayoumi:** Yes, we have long advocated the expansion of community health centres as an effective and cost-effective means of delivering care.

**Mrs Molinari:** You have some really good suggestions on primary care. On page 3, point 6, "Make Home Care Accessible and Accountable," in the last statement here you state that it should be a "publicly funded home care system in accordance with the Canada Health Act, an act this government has endorsed." Are you implying that it isn't at this point?

**Dr Bayoumi:** I am very seriously concerned that accessibility, which is one of the five principles of the Canada Health Act, has been compromised in the home care system.

**Mrs Molinari:** How has accessibility been compromised?

**Dr Bayoumi:** Because home care services are simply not available. You can't access something that's not available.

**Mrs Molinari:** You also talked about privatization and, from your presentation, it's not something that you support at all. Am I reading that correctly?

**Dr Bayoumi:** That's correct.

**Mrs Molinari:** Would you say, then, that there shouldn't be any type of service available for those who would choose to purchase services for whatever care they would require or need?

**Dr Bayoumi:** That's a very broad question in terms of any services. I think the principle should be that health care should be publicly funded and health insurance should cover all necessary services within Ontario.

**Mrs Molinari:** If some private organization is offering those services and people wish to access those services, is it something your organization would not agree with?

**Dr Bayoumi:** That's correct. If those services contravene the Canada Health Act, we would not agree with that.

**Mrs Molinari:** Does your organization have the support of the OMA?

**Dr Bayoumi:** We are an independent organization from the OMA. They agree with us on some issues and they disagree with us on others.

**The Chair:** Any further questions?

**Mr O'Toole:** I would be very interested in following up on the OMA. The OMA has agreed to participate in primary care reform. It sounds, from what I heard—I was watching this, as it is televised; even though I wasn't here physically, I was here mentally—that you're supporting primary care reform in a definite sense, and full accessibility to a range of services. My key question is, the OMA has already signed on to agree with the seven pilots in Ontario with the expectation that in three years, with that agreement, they will be—I shouldn't say this—on salary, which is like this community care thing, the community health centres. Is that not right? Do you not read that the same way as I do?

**Dr Bayoumi:** I don't know what the OMA thinks. I'm not privy to their—



**Mr O'Toole:** Are you not involved? You're a member, though.

**Dr Bayoumi:** All physicians who bill OHIP are members of the Ontario Medical Association under the Rand formula.

**Mr O'Toole:** You're under the Rand formula? Oh, Jeez, I didn't know that.

**Dr Bayoumi:** Yes. That is the agreement that your government negotiated with the OMA.

*Interjection.*

**The Chair:** One conversation at a time, please.

**Dr Bayoumi:** The OMA may or may not support physicians being on salary. They have not clearly come out and stated that. If you have information that's more definite than that, I'd be interested to hear it.

**Mr O'Toole:** No, I'm asking you as a practising physician. It sounds like you're fully agreeable with that, that your patients come first and that money comes second. That's great that you think that way.

**Dr Bayoumi:** Our main argument, if you read the brief, is that the pace of primary care reform does not need to be as slow as it is now.

**Mr O'Toole:** I kind of agree with you, I might say.

**Mr Kwinter:** Thanks for your presentation. I just want to tell my colleague Mr O'Toole that when he was up in his office, I was there with him mentally but not physically. I was thinking about him.

I want to talk to you about a couple of things. I want to tell you my experience in a couple of areas that you've covered. One is the additional fees for certain drugs. I have a brother-in-law who is a pharmacist in my riding. He's got a large Shoppers Drug Mart. He's always telling me stories about how seniors come in and because they're on the drug benefit plan, they expect that all of their prescriptions are free. Occasionally their doctor will prescribe an item that is not on the drug formulary. So when they give the customer this package, they'll say it's going to be \$8 or \$12, whatever it is, and they say, "No, I don't pay for drugs. I'm a senior. Take a look. I've got it registered. I'm a senior." And they say, "Yes, you are a senior but this is not covered." They say, "Well, then, take it out." If they have to pay for it, they don't want it.

That may be the most important product that they have in their little bag, and yet, because of that, they have unilaterally decided that if they have to pay for it, they're not going to do it because they can't afford to pay for it. He tells me that is not an isolated incident, it happens regularly. It drives him crazy because he really feels that people are making decisions that are not soundly based on medical reasons but for financial and economic reasons.

I don't know whether you've found that in your practice or not or whether it inhibits you from prescribing certain things that may be the best treatment for that patient but, because of the financial implications, you don't.

**Dr Bayoumi:** I think you raise an excellent point. I do find that all the time, that I'm constrained in what I can prescribe and constrained in what my patients can pay

for. I think the very nature of the imposition of user fees leads me to be concerned that those who endorse those user fees do not appreciate that what may seem like small amounts to people with good incomes can be very large amounts to people on fixed incomes and can act as real deterrents and can really lead to suboptimal health care.

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**Mr Kwinter:** I want to tell you about another incident that I'm literally living with as we speak. I have a community care access centre in my riding. They had a contract with home care providers and they've had it ever since the inception of the program. The contract came to an end and they have negotiated a new contract with another group. Obviously, it must mean because the other group is cheaper.

I'm now caught in the middle. Every day I get e-mail, faxes, telephone calls and letters from the providers who are saying, "I have been working for this organization, I've been doing my job and now I'm told I don't have that job any more," which in itself is a problem. But on the other side and where I'm caught in the middle, I'm now getting calls from the patients who are saying, "I've had this health care provider who was terrific and I've developed this relationship. They know me, they come in, and they do what they have to do and it's excellent. Now they tell me they're not going to be there and I have to worry about someone else that I don't know. I don't know how they're going to be. What sense does that make? These people were doing their job, I was happy with them and now they tell me, because of this contract that has been let to another group, 'We can no longer provide you with the service that we've been providing.'"

That is a direct result of privatization, where the bottom line is what determines the service that's provided, as opposed to a service that is really geared to outcomes. Do you have any comment on that?

**Dr Bayoumi:** I couldn't agree with you more. Cost is certainly a consideration. The quality of home care services seems to not even be on the table, and quality includes who is providing it, continuity of care and all those issues you've mentioned. You can't run a private health care system and have it publicly accountable. It's an untenable situation and it creates a loss in quality for what may or may not be savings in costs, but we'll never know because there's no accountability built into the system.

**Mr Kwinter:** Do I have time?

**The Chair:** Yes, you've got about a minute and a half.

**Mr Kwinter:** Earlier today we talked about these health service centres, and doctors, as opposed to being on fee for service, would be on a salary. I don't know whether you're prepared to answer this or not, but I felt that, sure, doctors would like to be on salary. The question is, what is that salary? Do you have any ideas of what salary would be attractive to a doctor to get into a practice where he gets a salary, as opposed to a fee for service? I don't want to put you on the spot. I just want to get a ballpark kind of a thing so we know what we're talking about.

**Dr Bayoumi:** I think you could probably look at what the average salary is for family doctors in Ontario and it would be somewhere around that figure.

**Mr Kwinter:** Which is?

**Dr Bayoumi:** I don't have the numbers off the top of my head, but \$90,000 to \$100,000 would be my guess in terms of their take-home pay.

Most doctors don't want to go on salary because it's an easier lifestyle or because it's more money. They want to go on salary because they think they can deliver care to their patients better and there's more stability in the system. Now, essentially you're not paid for seeing patients under certain circumstances, even though you think that they need to be seen. That's not an attractive situation. Where you are not paid for taking care of very sick patients, that encourages a health care system where you only want to have well patients, healthy patients who are easy to care for in your practice. If we're really talking about a health care system designed to deliver care to those who need it the most, salaries make an awful lot of sense.

**The Chair:** With that, I must bring it to an end. On behalf of the committee, thank you very much for your presentation this afternoon.

#### CANADIAN NATIONAL INSTITUTE FOR THE BLIND

**The Chair:** Our next presentation is from the Canadian National Institute for the Blind. I would ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome.

**Dr Penny Hartin:** My name is Penny Hartin and I'm the executive director of the Canadian National Institute for the Blind, the Ontario division. I'd like to thank you very much for the opportunity to come this afternoon to talk with you about some of the services that CNIB provides and particularly about some of the issues which we face in providing specialized rehabilitation and support services to blind, visually impaired and deaf-blind persons in the province and to ask you for your consideration of those needs as you're going through your process, understanding, of course, that you have a great many priorities that you need to deal with.

I want to tell you a little bit about our organization in just two or three minutes. We are a voluntary, not-for-profit charitable member agency of the United Way. We've been in business since about 1918 as the primary organization that provides specialized services to blind, visually impaired and deaf-blind persons.

The objectives of CNIB are to improve the condition of blind persons, to prevent blindness, and to support services relating to sight enhancement, which basically means to help people make the best possible use of their vision. To dispel some myths that may be out there, the CNIB doesn't serve just people who are totally blind. Totally blind people probably only represent about 10% of the people we work with. The majority of people who receive our services have some degree of usable vision

and we like to make our programs available to anyone who feels that the services can help them maximize their independence.

The services are organized specific to the people who require them, so we do provide individualized programs. For people who have low vision, for example, their vision loss is so different that you can't have a one-shoe-fits-all type of solution. We really try to individualize the programs that would be available to individuals, and we also try to offer programs that are related to blindness or vision impairment specifically. So we don't provide housing, for example. For the most part, we don't involve ourselves in recreation and we don't provide homemaker service or that kind of thing, because other community resources are perfectly equipped to provide those services. We would work with those resources to make sure they then know how to ensure that their services can be accessed by people who are blind or visually impaired.

That being said, we focus what we do on programs that people need because they can't see very well, or at all. Those services can include library services; it can be talking books, Braille books, other special format library programs. They can include counselling and referral services. That essentially means counselling around vision loss—what does that mean for the person and his or her family—and then referral either to other programs that we offer or within the community. It includes rehabilitation teaching, which is essentially life skills, home skills services—it could be cooking, grooming, how to manage within your home. It also includes teaching Braille, keyboarding and so on; orientation and mobility, which basically means how you get around safely, in most cases using a white cane; sight enhancement services—how to make the best possible use of the low vision that you have; technical aids services, which can be anything from teaching someone how to use a self-threading needle so that they can sew on their own buttons, showing them how to use a special knife that has a guide on it for cutting in their home, or it can be as complicated as a computer that talks and produces things in Braille. Career counselling and employment services are, once again, those services that people need to help find a career that's going to meet their needs and to get back into the workforce.

These restorative/rehabilitative services, which are funded and provided directly by government to other disability groups, have historically been provided to blind, deaf-blind and visually impaired Ontarians by the CNIB. These services, which enable blind, deaf-blind and visually impaired citizens to learn alternative methods of personal care, self-management, household and daily living skills, alternative Braille or voice access to information and communications processes, movement and travel techniques with cane and/or dog guides etc, are the foundation upon which personal, family, community, school and workplace life are reconstructed. They are essential if a person grappling with severe or total vision loss is to be able to become independent and healthy, with a productive lifestyle.



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We also offer some additional services where we can. We have a very large volunteer program. Each of our offices probably has 200 volunteers providing such things as driving support, reading, shopping, personal support, friendly visiting, and so on. We have well over 100 peer support groups around the province. We do have a small holiday centre up on Lake Joseph that people enjoy, intervention services for deaf-blind persons, and we have just begun an early intervention program for children. We do blindness prevention programs primarily through an eye van that travels through northern Ontario providing ophthalmological services to people who live too far from ophthalmologists. We've just introduced some First Nations projects, and we also have some scholarships for young people. Most of those are funded through the Gretzky family. We're fortunate in that support.

To give you a brief synopsis, we serve nearly 50,000 blind, visually impaired and deaf-blind persons across the province through 28 service centres, about 500 staff and about 6,000 volunteers. We're seeing about 12% new clients every year. Our total growth is about 7%. The reason you see such a large growth in new clients is because 75% of our clients are over the age of 60; about 28% are working age and about 6% are young people, children. We do provide service through the whole age range. Because vision loss is very directly linked to the aging process, we have seen our numbers go up dramatically. They have doubled probably in the last 15 years, and we are anticipating that they will double again by the year 2015. That's what the medical information is telling us.

The other interesting fact about the CNIB and the services we provide is that people generally need services throughout their lifetime. They don't just come in, get something that helps them and then leave again. Often-times people's vision will change, their circumstances will change, and they'll need help and support throughout their lifetime, so they remain clients throughout their life. The change could be as simple as moving to a new community. Then we'd have to start over again to teach mobility techniques, go into their home and do some adaptive things and that sort of thing.

How we are financed: Our budget for this year is approximately \$33 million. That's funded 64% by donations through the private sector: foundations, corporations, and a lot of our own fundraising activities that we take on. We get about 10% that's cogenerated through the United Ways, and the various levels of government would fund about 26% of our total funding. Most of that would be through the Ministry of Health and Long-Term Care. Ten years ago we were receiving about 16% from United Ways, about 33% from levels of government, and we were generating about 49% ourselves. It's not that the government levels or United Way went down. It's just because our client numbers grew so dramatically, about 70% in that time period, and we needed to be able to respond to that. We've been quite successful in doing a

lot of activity that's been able to generate our own fundraising in order to meet those demands.

When I compare our organization, though, to other organizations serving disability groups, we are receiving a much lower level of funding. When I talk with my counterparts at other organizations, some of them are receiving 75% of their funds from government, others 50%, and so we do wonder if there is a lower proportion being provided to serving blind, visually impaired and deaf-blind persons.

We also note some serious inequities across the province. I'll give you an example. For our long-term-care funding, we receive about as much money to provide services to 2,000 people in the Niagara area as we do to serve 12,000 people in Toronto. So there are some big inequities both around the province and in terms of what goes to support services for blind and visually impaired people compared to others.

Yes, we have been very successful over the past 10 years in being able to meet our own needs, but I would be concerned that if our client numbers are going to double again by 2015, I don't think we would have the capacity with our staff and volunteer resources to double our own efforts again, without putting so much of our time toward fund development. I always have to balance how much of our staff time should be spent on fund development. They're really good at providing services. If we're already raising 64% ourselves, then I don't think we can increase that percentage a whole lot more without it having an impact on our service programs.

To look at some of our priorities, in addition to what we're currently doing and what is supported through long-term care, there are a couple of other areas that I wanted to make you aware of and I'll just touch on those briefly before I have some time for questions.

The first area is around employment programs. Unemployment, underemployment, job retention and preservation is still a huge issue for blind and visually impaired people. You'd be surprised to know that still about 75% of working-age blind persons continue to be unemployed or underemployed. The sad thing is that hasn't really changed an awful lot in the last 20 years. In speaking with my colleagues from the US, they're experiencing the same kinds of things. Technology is helping a lot, but there are still a lot of barriers out there and a lot of barriers around attitudes. I'll just take one minute to give you an example that I think will tell you a lot.

I just had a call recently from a young woman who was a professional secretary, worked for many years and was very competent. She got a job in a health care setting in the Ottawa area. She went through all of the processes that you do to get a job and she was hired; everything was fine. The first day at work somebody saw her looking—you know, like I do—kind of close at her paper and called human resources and said, "We have a blind person here." They called her up to their office and sent her home that first day, without even finding out what the vision impairment meant and whether or not she could do

that job. She wasn't providing direct health care to individuals; it was in an administrative setting.

Unfortunately those attitudes are still there. There's a lot of work that we have to do. There's a lot of work that we have to do with other community resources so that they can help blind persons find jobs as well. There are other resources out there and we work closely with them, but often they don't know what accommodations are needed. For a blind person, unlike someone who—and I don't like to oversimplify things, but if you compare finding a job for a blind person to someone who uses a wheelchair, with mobility impairments their accommodation difficulties are often resolved. Their work station is made accessible once they get into their work site. For a blind person that's not the issue. You can usually get into the building, get to your work site. The accommodation problems only begin then, because how do you make sure that they have access to the information? There are lots of solutions, but we need to help people find those solutions.

What we are looking to do is establish about four or five centres across the province, regionally based, that will provide employment training and technology training for individuals so that they can have a much better chance of finding employment. We're estimating at this point that it will probably cost between half a million and a million dollars, I would think, to get that kind of thing established.

We also have concerns around children's services. Once again, we've felt for many years that services to blind children can be provided well in the community. Once they start school that's certainly the case through the education system. However, before they get to school, the early intervention and development programs that exist just don't see enough blind children to gain the expertise. So over the last few years they and the parents have told us that CNIB needs to get back involved in that. We received funding from the Trillium Foundation a year ago to establish two pilot projects. They're going extremely well, and we want to roll that out across the province now.

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We are putting in a proposal to Children First and Last, the children's secretariat program, for a challenge grant and we're hoping with that to be able to expand the program to 10 sites across the province so that all blind children who need that specialized service early on will get it. We estimate that whole program will cost about \$1 million to roll it out across the province and we're optimistic that we will receive some of the funding through the new children's secretariat to help with that.

Library and information services: I'm sure you're all aware that CNIB does have specialized library services. That doesn't just mean Braille and talking books, by the way. With the growth of information, we've tried to keep pace with that as best we can, so we have a large children's collection. We make sure that they can learn to read too. We even operate summer reading clubs for children. We just do it through the mail. We have news-

papers by phone now, so someone can call our number and receive the full text of 14 newspapers from across the country now, whereas before that wasn't possible. They can also get them on our Web site if they want. They can access our catalogue of talking and Braille books, or whatever, through the Internet, and we're setting up other programs so that they can access magazines and other information you probably just take for granted that blind people don't normally have access to. So we're working hard to make all of that available.

That service, which is currently costing us in Ontario about \$2.5 million dollars and we project will cost probably \$5 million over the next several years because we have to digitalize the whole service—we can't get cassettes any more so we have to computerize the whole way that we offer the service. That service is not funded at all through government support. You don't need to feel so badly; the rest of Canada doesn't either. In fact, we're the only G7 country in the world that does not provide public assistance to specialized library services for blind, visually impaired and other print-handicapped people. We are definitely hoping that is something you would consider as you look at library service budgets and so on. We know that with the aging population, seniors are more sophisticated in their desire for information, and while about 25% of our present clients use the library, we expect that this number will grow dramatically and that they will want the other aspects of library service as well so that they be informed.

OHIP coverage for low vision: You may not be aware that at present low-vision assessments are not covered under the OHIP program. That means that many individuals who could really benefit from the use of low-vision aids are simply not able to afford the assessments. The doctors charge about \$75 for them. They can see their optometrist or their ophthalmologist for types of pathology or eye disease, but the low-vision assessments that determine what kind of low-vision aids might be helpful for the person to use are not funded at this point in time. We would ask you to consider making that service available for persons. The low-vision assessments can make a huge difference.

Personally, I have low vision. I probably use about 25 aids around my home for different kinds of things, but if the assessments weren't available then I probably wouldn't have the same access to information or to use the tools that really are available and that can make a huge difference to people.

There's also a tax on audio books that we'd like to talk with you about. As you know, print books are not subject to provincial sales tax but for some reason audio books are. I guess they were always considered to be entertainment, but in fact many people do learn using audio books, and not just people who are CNIB clients. Certainly we do use the audio books and do purchase them from the stores, but lots of new Canadians who are learning English find the audio books very helpful. People who are print-handicapped in other ways—perhaps they have a perceptual difficulty—clearly use audio books.



Many commuters now, as you know, also use audio books as they're travelling to and from work. They very much help to improve literacy and to improve the learning of our language. So I'd really encourage you to consider eliminating the provincial sales tax on the audio books that are available.

The last area that I wanted to mention was intervention services for deaf-blind persons. People who are deaf-blind need a very special kind of service beyond all the rehabilitation kinds of programs that I talked about earlier, the Braille and the white cane travel and so on. They need those, but in addition they need special services to interpret their environment for them. It goes beyond interpreter services that a deaf person needs. A deaf person needs somebody to interpret what you say to them and then what you're saying back to that person you're talking with. For someone who is an intervener, they don't necessarily use American Sign Language. They may have to use a print alphabet on the person's hand. They also not only need to tell you what the person is saying and interpret that information back and forth; they also need to give you information about the environment.

We've had interveners who've actually gone with our clients for surgery and have intervened for that person throughout surgery, to tell the person what was happening as well as what the person was saying to them. That's what the service can mean.

It can also mean, if someone is going shopping, to explain to somebody that there are 10 different kinds of Tide on the store shelf, because the person wouldn't necessarily know that. It helps them to determine what type of Tide would probably meet the person's needs, whether it's liquid or whatever it might be, because when you can't see or hear, you not only need to know what somebody is saying to you; you need to have the environment around you interpreted as well. That's what interveners do.

The problem right now is that they're only funded for about three hours a week of intervention service, and generally that time has to be used for doctors' appointments or appointments with lawyers or whatever. The person probably isn't going to get the assistance maybe with shopping, maybe participating in a recreational activity. It might even be visiting family or friends, because sometimes the communication methods are so complex that not everyone in a person's family or circle of friends may know that.

We recommend that people really should have about 15 hours a week. That's what most deaf-blind people feel would be helpful for them.

There are some inequities within the province as well. There are some individuals who are in group home settings now. Some of them are receiving up to 24 hours a day of intervention. We don't believe that's really necessary, but there are a lot of inequities. There's a whole group of people who are really only getting two or three hours a week, and it's just not enough for any kind of independence for them.

Those were the major areas I wanted to present to you this afternoon. Clearly the needs of blind, visually impaired and deaf-blind persons will increase over time, essentially due to the aging population. It's a fact of life. As we get older, our eyes don't work as well. There is not a cure for macular degeneration, which is the leading cause of blindness, nor is one expected on the horizon within any number of years that we can plan for at this point in time.

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CNIB believes in strong partnerships with the community and with the government to help us provide the specialized services to blind and visually impaired people. I haven't presented all the needs today. I've tried to focus on what I think to be most urgent and what I think has the potential to make a real difference in enhancing independence for persons who are blind, visually impaired and deaf-blind, to increase their independence and their self-sufficiency.

I also have presented some issues that will help to respond to some of the inequities that currently exist within the province, both among disabled groups themselves and also among some regions of the province. CNIB has a philosophy of service equity. We firmly believe that services should be available to people regardless of where they live. We have service centres and other programs around the province to help make that happen, but it's a challenge when there are such inequities within some of the funding pockets. We clearly do have areas that are much better served than others.

I want to thank you very much for your interest and for taking the time to listen to me this afternoon and for considering our requests. Please be assured that we want to work with you and want to work in partnership, as we all work together to make life better for blind, visually impaired and deaf-blind people in Ontario.

Thank you. If you do have any questions, I'd be happy to respond in any way that I can.

**The Chair:** Thank you very much for the presentation. I'll allow two minutes per caucus. I'll start with the government side.

**Mrs Molinari:** Thank you very much for your presentation. It's quite comprehensive and you have a lot of recommendations. When you say you haven't highlighted or you haven't told us all of the issues around the deaf-blind, then obviously there's a lot more. You have a lot here already.

I don't know if you're aware of the recent private member's bill that was passed in the Legislature, Bill 125. David Young, who's the MPP for Willowdale and is now the Attorney General, introduced a private member's bill that would declare June deaf-blind awareness month.

**Dr Hartin:** Wonderful.

**Mrs Molinari:** He has been in contact with the Rotary Cheshire Home, which is in his riding, so he speaks highly in the Legislature about that quite often.

**Dr Hartin:** They run a good program.

**Mrs Molinari:** Yes, it's a wonderful program. The one question that I do have is—I think I heard you say that Canada is the only G7 country that doesn't provide talking services for the deaf-blind.

**Dr Hartin:** They don't fund the specialized library services for blind, visually impaired or deaf-blind.

**Mrs Molinari:** What would that entail?

**Dr Hartin:** It would entail funding the production of alternate-format materials as well as assisting with the distribution. The public libraries have a good collection of large-print books. They do a good job with that, but they have very, very few talking books, and I don't know of any public libraries that have any Braille.

**The Chair:** Mr Kwinter.

**Mr Kwinter:** I'm totally supportive of everything that you do. The issue about talking books and the sales tax should be easy to resolve. I raised an issue in the House some time ago about computer books, that if they didn't have a computer disk in them, they didn't have to pay sales tax, if they did have the computer disk, they did, which made no sense, because the book is useless without the disk, because it teaches you how to use the computer. We got that resolved.

I think that can be resolved, so that those people who are visually impaired or blind can have a card that says, "I am blind, and as a result I am exempt from paying the sales tax on those books." I think that's something we should be recommending.

I just want to tell you very quickly: I've had contact with two blind people, both of them absolutely outstanding. It just shows that if they get the support and if they get the ability to reach their maximum potential, they can.

One of them, whom many of us know, is David Lepofsky. I used to own a children's summer camp and David Lepofsky came to me as a little boy, totally blind. He was able to function in the camp program; he did everything. He wound up as a lawyer and he's now a major advocate for the disabled.

Another person whom you may know of, because I think at one time he was the chairman of your organization, was Edward Dunlop. Edward Dunlop was a former member of Parliament, a war hero who was the commander-in-chief of the Queen's Own Rifles. One of his men dropped a hand grenade. He went to get it, picked it up. It blew off a couple of his fingers and blinded him.

He came back to become a member of Parliament, a cabinet minister. I worked on his campaigns. He became the founding president of the Toronto Sun. Just because he was blind, it didn't in any way take away from his particular abilities.

I applaud David Young for this blindness and hearing-impaired awareness week, because there's a stigma. If someone sees someone who is blind, they immediately think that not only has he lost his sight but he's lost everything else. I think that's a real problem and it's a problem that we have to address. There are resources,

when I talk about human resources, people who happen to have an impairment but they can make a very useful contribution to our society. I congratulate you for your efforts.

**Mr Christopherson:** Thank you very much for your presentation. Referring to one of your earlier pages where you compare the percentage of your income that you now have to raise yourself compared to what the government gives and compared to before, it's pretty clear that it's going in a direction that's making your life more and more difficult.

You make note that if you compare it to other rehab agencies, you're way out of whack. What about other provinces? Is it the same? Are the trend lines going the same way in other provinces?

**Dr Hartin:** They vary in other provinces. In some provinces the funding support is closer to 50%. On average across the country it's around a third, around 30%. BC is terrible. That's the only way to—it's, I don't know, 10%, 12%. It's astonishingly low, which is obviously a real problem to raise sufficient funds. So that brings the average down.

I would say traditionally we are lower than other disability groups, I suppose because CNIB has been around for a long time. We have been successful in raising the funds to support the service programs. The worry we have, though, with the increasing number of people coming, is, would we be able to sustain that in the long term and really be able to respond to people's needs? I would worry that we probably wouldn't. That will be the case in other provinces that don't have the level of service that we have here in Ontario either, because they simply haven't been able to develop the capacity to raise the money they need. So I really worry about the services in other parts of the country.

**The Chair:** With that, we've run out of time, but on behalf of the committee, thank you very much for your very interesting and informative presentation this afternoon.

**Dr Hartin:** Thank you very much for your time.

**Mr Galt:** Mr Chair, on a point of order: Just for information purposes, I have the report that I requested the other day, when the OSSTF made a presentation. I'm just wondering, will this appear in the official record? There's a significant discrepancy between the figures they gave us and the figures that are in here. It's important for the record that it appear. It's more than 50% greater than they put in their report.

**The Chair:** I'm told that it does not appear in Hansard, but it will appear in the committee minutes.

**Mr Galt:** It says here that it's 50% more. Thank you very much.

**Mr O'Toole:** I would like to move that it appear in the report.

**The Chair:** No, it does automatically.

**Mr O'Toole:** Great.

**Mr Christopherson:** On a point of order: I wonder if, out of courtesy, since it affects one of the presenters, we



might have the clerk forward the results that came from research to OSSTF, I think it was.

**Mr Arnott:** It was Earl Manners.

**Mr Christopherson:** Just to give them a chance, because they may want to respond to the response.

**The Chair:** I would think that's a fair request.

**Mr O'Toole:** They may want to retract.

**Mr Christopherson:** No, John, not because they want to retract.

*Interjections.*

**Mr Christopherson:** At least have the trial before you hang them, John.

**The Chair:** With that, I'll bring the meeting to a conclusion and we'll adjourn until tomorrow morning at 10 o'clock.

*The committee adjourned at 1800.*

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## **Legislative Assembly of Ontario**

First Session, 37<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Première session, 37<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

Thursday 22 February 2001

# **Journal des débats (Hansard)**

Jeudi 22 février 2001

**Standing committee on  
finance and economic affairs**

Pre-budget consultations

**Comité permanent des finances  
et des affaires économiques**

Consultations prébudgétaires



Chair: Marcel Beaubien  
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## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRSCOMITÉ PERMANENT DES FINANCES  
ET DES AFFAIRES ÉCONOMIQUES

Thursday 22 February 2001

Jeudi 22 février 2001

*The committee met at 1000 in room 151.*

## PRE-BUDGET CONSULTATIONS

**The Chair (Mr Marcel Beaubien):** Good morning, everyone. I would like to bring this committee to order.

## ONTARIO HOSPITAL ASSOCIATION

**The Chair:** Our first presentation this morning is from the Ontario Hospital Association. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this morning.

**Mr Frank Norman:** Good morning, Mr President, ladies and gentlemen. My name is Frank Norman and I am the chair of the Ontario Hospital Association board of directors. Joining me today is David MacKinnon, the president and chief executive officer of the Ontario Hospital Association, and Mary Lapaine, who chairs the OHA's advocacy committee.

Before we start, I'd like to say I'm not a health care professional nor am I employed in health care. Mary Lapaine and I are volunteers who have been privileged to serve in the health care system for many years, and for all its trials and tribulations, it's a very impressive system. There are more than 41,000 volunteers in the hospital sector and, like you, they are there to make a difference.

"What can we do to make a difference together?" is the theme of our remarks today. We could spend the time with you today summarizing the contents of our pre-budget submission, *Future Health: Hospitals for the 21st Century*, a very detailed and comprehensive paper that draws on extensive research and incorporates views of our membership throughout Ontario. Those views were reinforced as recently as yesterday afternoon when there was, in fact, a special general meeting of the association. I know you will find this paper, which describes the issues and opportunities facing hospitals today, useful. I would, however, like to focus my remarks on the opportunities within the upcoming budget to make a difference for health care in Ontario.

As you are well aware, there are serious challenges facing hospitals in Ontario and these can only be addressed by clear policy choices. Without thoughtful debate and resolution of key issues, the problems facing hospitals cannot be solved. The fundamental choices

about how we deliver health care and how we pay for it cannot be avoided. To postpone these decisions may run the risk of moving health care into a different kind of system and one with unintended consequences.

I am suggesting that we make difficult choices, not because I would wish to see us move toward a different system for the sake of it, but to ensure that the current system is there for our children and our grandchildren. In short, the biggest risk to our health care system may be standing still or just tinkering with the current system.

I am now going to ask David MacKinnon to outline the issues that we believe are on the minds of legislators, health professionals and the public and to describe what we can do together to address them. From that, I would suggest that we can discuss the choices we have before us.

**Mr David MacKinnon:** From everything we have heard in recent months, including Mr Harris's comments after a recent meeting of the government caucus, the issues on legislators' minds about hospitals and health care are, first, how can we escape from what seems to be an ever-increasing health care budget, especially during times of revenue uncertainty? Second, will continued investments in health care put other essential public services at risk; for example, education and the environment? Third, what can be done to meet our health human resource challenges, absolutely serious challenges? How can we retain the health care professionals we have and recruit others we need in the face of worldwide shortages? Fourth, how can the system be made more patient- or consumer-focused and accountable to those who are paying for it, the people of Ontario? Next, how can medical practice be modernized to make the system more sustainable and affordable? Finally, and perhaps even most importantly, how can we enlist individuals into the important task of managing health care better and keeping the costs attached to it under control?

These are all formidable challenges. Each of them is formidable individually, but taken together they are very formidable indeed. In dealing with these challenges and reflecting on the need for basic choice, we really do not mean to imply that any one solution or path is available to take us where we want to go. Certainly, if any such a path existed we would have found it long ago.

Health professionals are all too familiar with grand designs for the future that prove to be unmanageable due to the incredible complexity of the system and the very



intense values that different groups or individuals bring to it. Nor do we mean to imply that considerable progress has not been made. Progress has been made. Primary care reform is starting, hospital modernization is underway in most corners of the province and hospital report cards are just a few examples of progress in the system, and I could list many more. However, on balance, I think most who look at our system today would recognize, as Mr Harris did, that we need to search for further answers.

For hospitals, the reasons for this need to search further are clear. The financial pressures on hospitals and the health care system are absolutely inexorable and they face us every year. Every year, hospitals are faced with increased demand for more and better services. As our annual review of hospital finances shows, hospitals need an additional \$400 million to \$500 million every year just to keep up with population growth, aging and other cost pressures.

Over the last two years, medical and surgical supplies, including drugs, increased on average by 12% a year, well above the rate of inflation. Hospitals are already running at very high levels of efficiency compared to other provinces and US hospitals; however, they are constrained by the fact hospitals in Ontario have no cash reserves and many are purchasing goods and services on credit.

The pressures on front-line staff, as you will probably hear from the nurses this afternoon, are reaching unbearable levels, and yet we need to make sure we retain the staff we have, that they feel comfortable, and that Ontario hospitals become the employers of choice for future health care professionals. We're certainly not in that position today. I could go on.

We're not unsympathetic and we really understand the other side of the argument. It is no wonder that every year when we appear before this committee delivering similar messages, I can almost hear the groans from some committee members and from the Ministry of Finance and from much of the senior civil service. But the pressures are absolutely real. We understand that with the possibility of a slowing economy there will be pressures to cut costs. However, squeezing more out of hospitals at a time when they need to retool for the future or tinkering with the system in a cost-based way could undermine the future of patient care.

Investing in health care is investing in our future, our quality of life and jobs and economic growth. I should stress that the health care system in Ontario is one of the two or three principal sources of the province's competitive advantage in terms of industrial location relative to the United States and around the world, and it is inextricably linked with our economic performance for that reason. If we had a serious deterioration in that system, then our economic performance sooner or later could also be seriously eroded.

Hospitals feel that we do need to find more cost-effective ways of delivering patient care services, and we are doing that. The paper—again, as Frank mentioned, we won't go into it in detail because it's here and it

obviously demands close perusal, but I think you can see that we have many suggestions to make that will improve the system as we go forward. But I think most of us in the room, most people in society, regardless of our political leanings or personal values, would agree that notwithstanding all the things that we recommend we do that are underway, we still need to consider alternate paths to the future to put the system on to a more sustainable track.

What are those paths? The first path probably relates to the role of health care consumers. Everyone can play a role in solving health care problems. To be very frank—and I know that this comment is controversial to some extent—society cannot afford a health care system that protects people completely from negative lifestyle choices such as smoking, lack of exercise and poor nutrition. We cannot, to the regret of everyone here and to the regret of everyone in the system, protect everyone from the consequences of their choices made over decades. There are remarkable savings to be made if we recognize this and focus greater efforts on health promotion and illness prevention.

A second path is to empower and better equip front-line health care deliverers. We cannot expect them to continuously do more unless we upgrade their skills and invest in technology so that they feel better supported. As an industry, hospitals in Ontario for many years have been underinvesting in skills development and we believe, relative to other jurisdictions around the world, are falling behind in the use of medical equipment, information and communications technology.

There are many issues and steps that we could recommend to translate these broad themes into specific action. We think it is essential that we end the stop-and-go funding that is leading to uncertainty and disruption in patient care services. We are recommending that the province provide hospitals with adequate three-year funding commitments to enhance recruitment and retention of health care workers and to give better predictability to the system. I think if you cast your mind to what Sunnybrook or the Hamilton Health Sciences Corp or any of the very large community hospitals look like, you will readily understand the difficulty of managing them when sometimes the budget allocation is not known to them until they're well into the year for which that allocation applies. They can't turn on a dime; they are big. We simply cannot wisely live with that kind of unpredictability.

#### 1010

We also recommend that hospitals must constantly upgrade medical equipment, information technology and our ability to generally keep pace with new clinical practices. We really do need to stress how important modernizing capital funding for hospitals is. It is there not only to serve the consumer better, but to contain costs in the future.

We need, as you'll see from my earlier remarks, to play a much broader role in improving health human resource planning.

We need to make sure that we do something, including possibly the establishment of a health knowledge fund, that will foster training and education, including e-learning. The Internet is changing the world of health care in hospitals just as much as it is changing the world of banks and consumers. It's important to recognize that, because in there lie possibilities for the future that can help us make the system more sustainable.

We also think that public accountability for the health care system is important. We believe that all health care organizations and professions who receive public funds should produce annual report cards, similar to the hospital report cards we now produce, as a condition of receiving these public funds. We think full transparency to the taxpayer is one of the most important elements in restoring and improving public confidence in the system.

We also need to accelerate the integration of health care services, not by great new grand designs or corporate organizations, but by simply enabling hospital boards and the governance structures of other providers to enter into local partnerships for the provision of patient care.

I'd like to stress, however—you may see it from my previous comments—that we must make a major effort to encourage the public to do as much as possible for themselves. We favour continued expansion of new health care delivery services, such as the telecare service recently introduced in Toronto and in North Bay, and the development of e-health patterns of delivery. These will open up new ways to deliver hospital services to people. Imagine, the hospital of the future will deliver services to people in their home, at work or wherever they happen to be, and probably will not be defined as a piece of geography but rather more as a bundle of services to be delivered to people wherever they are and at whatever time they really need them.

We think health care providers, together with the government, should implement an all-out health promotion and illness prevention program to improve health outcomes and reduce costs to the taxpayers. We have made major progress as a society in the campaign against drunk driving. We have made major progress as a society in smoking cessation—probably not enough, but viewed over the last 20 years, amazing progress. We could probably do some of the same for lifestyle-related illnesses. If we all took a greater sense of recognition of the need to do that and acted accordingly, ultimately the costs attached to the system could come under much closer control.

Finally, we believe we need to enter into new and innovative public-private sector partnerships for the capitalization of the system, provided they are consistent with the Canada Health Act. Our submission recommends removing barriers and introducing incentives to foster public-private sector partnerships in the areas of capital development and new technology. If we can find ways of mobilizing the skills and the finances of the private sector to better support our system, in line with the fundamental philosophy governing that system, we

think there are major possibilities for reducing the problems that are readily apparent today.

I would like to close there so that there's ample time for questioning. We very much appreciate your attention today. Mr Norman, Ms Lapaine and I would be happy to answer any questions.

**The Chair:** Thank you very much. We have approximately three minutes per caucus. I'll start with the official opposition.

**Mrs Lyn McLeod (Thunder Bay-Atikokan):** In three minutes there are a lot of questions I would love to have the opportunity to place to you around both the stop-and-go funding that you've mentioned and the inadequacy of hospital funding. Perhaps the first area I'd like to focus on ties into the public-private sector partnerships, which was your last point, in one specific aspect. I may not get time to get to another key area that I would have liked to ask you about, and one is the difficulty in hiring full-time nurses on contract, or even part-time nurses on contract, if you don't get your funding until the end of October. So let me put on record that I think that's been a real limitation for hospitals in dealing with nursing shortages. I'd like to ask you about the increasing strain on hospital budgets of having to provide incentives for physicians, and I'd like to ask you about the new funding formula and why we haven't seen the new funding formula for hospitals.

But since I only have three minutes, I want to ask you about something that may be seen as a bit controversial too, and it does tie into this whole aspect of public-private partnerships but in a different way than I think you are suggesting in your bullet point. I want to specifically use the MRI situation as an area for questioning. As we know, there have been some stories about the private sector use of MRIs in hospitals. I do not believe from anything I know of that the hospitals have been utilizing those MRIs in any way which is inappropriate under government regulations. They've been using them, as I understand it, for third-party purposes, which is essentially private-pay use but for unlisted services under OHIP, so it's services that are not covered by the Canada Health Act. So if there's any question of listed services, medically essential services being paid for, it's not as a result of what the hospital has done, as far as I know.

My concern, though, is that hospitals have long waiting lists for MRIs. In Ottawa it's as long as seven months waiting for an MRI. If there are the personnel to use those machines that the hospitals have now, if they're available to do after-hours work, and if those machines are not being used for publicly paid-for purposes, if they're free to be used for third-party use, would it not be possible, given adequate resources in the hospitals' global budgets, to use those MRIs for publicly paid-for services and reduce the wait for those publicly paid-for services?

The other part of the question is, is it the inadequacy of budgets to be able to hire the staff to run them for publicly paid-for purposes after hours? Is it also the fact that



hospitals are feeling a desperate need to bring in some revenue because of the inadequacy of their budgets?

**Mr MacKinnon:** I'd like to make one comment first before turning it over to Mr Norman, who has been associated with some of these issues for a very long period of time. What we need to do in health care in Ontario is make benchmarks. For example, the number of images per 100,000 of the population for MRIs is a reasonably common benchmark. What we need to do in Ontario health care is focus on our ability to achieve generally recognized international standards in that kind of area. If we do that, the capacity can then be identified and built in. What we can't do is keep on making those kinds of decisions incrementally in accordance with very short-term pressures or demands. I know that may appear to be a little confusing, but it is fundamental that we—

**Mrs McLeod:** It's not confusing at all, but it raises a second fundamental question: are we meeting that kind of a benchmark now, and do we have any data?

**The Chair:** Ms McLeod, you're going to have to let Mr MacKinnon answer because we're running out of time.

**Mrs McLeod:** I think he raises another question of whether we are meeting the benchmark and whether we have data to know whether we're meeting the benchmark.

**Mr MacKinnon:** The fundamental need is to achieve the standards worldwide and I think we have some way to go to do that. But the fundamental thing we need to keep track of as a society is, what are those benchmarks? We can't simply make decisions incrementally, because sooner or later we will run into trouble with MRIs or with other types of equipment or with the physical facilities themselves.

**Mrs McLeod:** But if we're not meeting the benchmark, we've got a way to go.

**Mr Norman:** I'm not sure that's absolutely where I would come from on that one. My background is that of Kingston, the world of an academic health science centre, which does have an MRI, and where the waiting lists are of a quantity whereby people come from Ottawa to have work done there because it can be done.

The limitation is not the public-private limitation. It isn't that at all. The limitation is driven by two things; first of all, the cost of the staff to run them, which you really can't solve by saying, "We'll take the third party and make that happen." There's not enough in that to do that, quite frankly.

The other aspect of it is the technical support which is needed in order to be able to read the bits and pieces. I'd like, if I may, to take you into a slightly different area. I think that as we look at the developments for technology which are in existence at the moment, we have the technology to be able to do an MRI scan in one location and have it read hundreds of miles away. That's the technology we need to be able to promote at this moment in time, because it has a distinct human resource element to it. We no longer have to have the radiological technicians sitting at the place where the viewing is being

done. We can read those things at 30 frames a second hundreds of miles away today.

**1020**

**The Chair:** Ms Molinari first, and I'll go back to Mr Christopherson after.

**Mrs Tina R. Molinari (Thornhill):** Thank you very much for your presentation. You've raised some very key issues in your presentation. I have a couple of questions and first some comments.

You talked about finding more cost-effective ways, because in the system that we presently have, in order to sustain it over the long term, of course we have to continue finding efficiencies and ways of offering the service. I appreciate in your presentation your recognition of that.

You've also made comments with respect to the fact that we can't completely protect people from negative lifestyles, which is true, but certainly also the greater efforts on health promotion to prevent illness. I'd like to hear some ideas and some comments on that.

Your point about the multi-funding commitment I think is key, and I understand your points and where that's coming from. When you're budgeting, if you've got multi-year budgeting it assists you in being able to plan for the future, and certainly I recognize that.

You also mentioned the annual report cards being something that should be supported. Let me ask you your thoughts on giving patients an account of what the services cost when they go into a doctor's office. That's something that's been discussed and debated numerous times: if the patient actually knew what the cost of that visit was, might that affect the way they're using or sometimes abusing the system that is presently in place? What are your thoughts on that?

I'm particularly interested in your comments on partnerships and developing more partnerships, because I think in the future we need to look at more efficient, innovative ways of providing the service that is absolutely essential and something that's sustainable. We all need to take part in the delivery of that and the success of that. If you could comment on some of those things, I would appreciate it; it would be helpful.

**Mr MacKinnon:** I will ask Mary, perhaps, to take the very first part of the question, dealing with health promotion and wellness which you mentioned. But on the last issue of the accounting of services, hospitals over time have done some of that in relation to hospital visits and what it costs individual consumers. The problem with it is that (a) it didn't seem to have a huge impact, and (b) the costs of the system were considerable, relative to any benefit that we could see deriving from them—and they always, of course, had to be assessed in relation to the costs of putting the same amount of money into an MRI machine or something else.

In talking to the Ministry of Health, our general sense is that we would like to experiment a little bit with that and we would like to see whether new changes in computer technology and so on make it more feasible than it was perhaps 15 or 20 years ago. It's very

attractive on the surface, but for the reasons I mentioned, it hasn't always been possible to do it in a way that has some real impact. Of course, the pressure of putting the money, then, into something that does have a real impact is absolutely implacable. But we're willing to experiment, I think, is what the current play is. We'd like to do a little bit of experimentation.

On the issue of public sector-private sector partnerships, again, I think if we can take a step back and say, "How do we mobilize the talents of society to solve our problems?" that's kind of the right question to ask. That involves not just the private sector always but it involves those who represent the people who work in hospitals, unions, the whole thing. This is a broader problem than anything that the traditional medical professions can handle.

Mary, would you like to comment on the lifestyle issue?

**Mrs Mary Lapaine:** Yes. It's very interesting, particularly your comment—I'll get to the lifestyle—on the billing. I think if there's something as a volunteer that I get asked about the most, it's billings, not only in hospitals but in doctors' offices. I think you're very right in saying that a lot of people just don't realize what those visits cost. There is an abuse of the system, I don't think necessarily intentionally, but it appears to be free, and anything that's free, why wouldn't we use it? So I think there is definitely a need for that. It certainly has to be a collaborative measure between us and the OMA, obviously, because it's going to impact doctors and their offices, although doctors working closer with hospitals are a thing of the future and it's definitely going to be happening in Ontario.

As for lifestyles, I think it is very interesting. We just had this conversation this morning, particularly about smoking and drunk driving. Your children and, in my case, grandchildren are a perfect example of coming home from school totally indoctrinated in the fact that no adult should smoke. It's just a way of life. I think we can do the same thing with diet, with exercise. We're moving toward it but I don't think it's a concentrated effort. Unfortunately health care institutions, with the budgets we have, are working so hard to get people well who are sick that we don't have the money to go out and spend it on the wellness issue, which we are all very aware of and would love to have the opportunity to do.

**Mr David Christopherson (Hamilton West):** My apologies for missing the first part of your presentation. I want to step back and ask about the whole system. We hear from the hospitals, as you mention, \$400 million or \$500 million just to keep up with population growth, aging and other pressures, and I'm sure that's not the end of the list. We heard yesterday from community health centres that showed a terrific track record of service to the community, and I used the example in Hamilton to support that thought, but they are clearly underfunded too and they don't have the money they need. We talked to people in long-term care and, again, they think they can

handle the issue if they get enough funding along the way to be ready.

I'm talking about the whole continuum. At the beginning of it is the community care, now done through CCACs. In Hamilton, because of underfunding, we went through lengthy, bitter strikes with the VON, who struck not against their management but against this government in terms of lack of funding, and the same with the CCAC case managers. So everywhere along the continuum there seems to be underfunding, at the same time that we're supposed to be changing the emphasis from the institutional side of things more into the community end.

I'm wondering, not just in nominal dollars, whether or not you think there is a shortfall, because obviously you do, but is there enough—I'd like your sense of the percentage of funding that's going into each stage of the health care continuum as it exists and also as it evolves.

**Mr MacKinnon:** Perhaps I can just make one comment. As you can see from our comments, the most important stage of all, working on lifestyle-related illnesses which cause so many of the problems and issues we deal with, is something we really need to do much more of as a society.

On the second issue, perhaps one comment I'd make—and I'm sure Frank and Mary may want to comment as well—is that the problem we're facing is not fundamentally an organizational problem, and there is no organizational solution to it. What we're facing is relatively fixed capacity in terms of money, health professionals and so on, and infinitely elastic demand, and those don't meet. There have been all kinds of efforts; I can count 20 years of books and visions about how to organize the health care system so that it deals better with the problems and I don't think any of them have really amounted to very much. What we have to do is deal fundamentally with the problems of why we have these issues in the first place and deal with the technology and all the other issues mentioned in our submission.

The one thought I would like to leave very strongly is that there is no way we can deal with this by simple organizational change. All the other providers play a very important role. Hospitals in most parts of Ontario work very well with them, and closely. You can't run a hospital without a good nursing home industry nearby. All those issues are there. But it's not going to be an organizational solution that gets us out of the problems we've got. It's an all-out effort in every direction.

**The Chair:** It's a very impressive discussion, but I must maintain—on behalf of the committee, thank you very much for your presentation this morning.

1030

#### ONTARIO ROAD BUILDERS' ASSOCIATION

**The Chair:** Our next presentation is from the Ontario builders' association. I would ask the presenter or presenters to come forward and state your name for the record. On behalf of the committee, welcome.



**Mr Rob Bradford:** I'm Rob Bradford. I'm the executive director of the Ontario Road Builders' Association, Mr Chairman, not to get us mixed up with those fellows who put up the big buildings.

Our organization appreciates the opportunity to meet with you again this year and the chance to speak with you about the importance of a strong public commitment to Ontario's roads infrastructure.

I would like to spend a few minutes this morning to speak to three general subject areas: the government's commitment to capital investment in the provincial highway system, concerns about our municipal roads and bridges, and the benefits taxpayers could expect from a longer-term approach to capital planning in Ontario.

In the past several years we have seen an increasing commitment to investment in our provincial highway system. This welcome growing commitment is highlighted by a record \$1-billion highways program in the current fiscal year. The provincial government is to be congratulated for this renewed commitment to provincial highways.

That said with all sincerity, it is our responsibility to point out that significant investment in our highways is needed today to answer for almost three decades of neglect and underfunding that left a system once envied by the world in a sorely deteriorated condition. You will recall that in 1995 the Provincial Auditor said 60% of Ontario's highways were in unacceptable condition. Six years later that statistic has improved dramatically, but the message today is that the job is not nearly completed and the province must maintain a strong and growing commitment to ensure that Ontario's highways will be able to adequately serve our growing, export-based economy.

We pointed out last year, and it is worth repeating, that Ontario exports account for over 50% of our GDP now. Over three quarters of those exports go south to the United States and 95% of them depend on road transportation for at least part of the trip.

I believe, or at least I hope, we're past the point where it is necessary to repeat for this committee all of the statistics and studies that show the importance of our highway system to our economic growth, to public safety and to quality of life. We have talked to this committee about the \$3.5 billion per year spent in Ontario by American tourists arriving here by car, we have spoken to you about the implications for public safety and quality of life and we have quantified the effects of congestion on productivity. I could use my full 30 minutes today rhyming off those statistics for you, but we believe that those connections are now well made and understood by governments today. So the objective now must be to respond to those facts and figures with the appropriate public commitment to provincial highways.

While Ontario has taken some very positive steps toward bringing our current highway system up to acceptable standards and maintaining them that way, the other half of the equation—system expansion—is still not being addressed in a significant way. Keeping the 401

and 417 and Highway 69 to the north in decent shape is one thing, but addressing the needs of the future is another. There must be a renewed investment in new highways very soon or the congestion and gridlock nightmares we are experiencing today in major urban centres will soon seem like the good old days. Recent attention in the media and statements by members of the government have underscored the fact that congestion has reached crisis proportions in the GTA.

Growth projections to the east, west and north of the GTA will bring the movement of goods and people to a halt if we do not begin to address system capacity. In the Golden Horseshoe area over the next 20 years, there will be a million more vehicles on local roads. Rush hour trips in the GTA will increase 50%, to 3.6 million per day, by 2021.

Our industry has been encouraged by the apparent changes in public opinion that have brought a recent renewed focus to highway congestion as a priority issue. But we are concerned that in those same news articles and features there is a growing misconception that the GTA's congestion problems can be solved simply by expanding subway systems or bringing a few more GO trains into Union Station every day. This ignores the role which expanded road capacity must play in the solutions.

We support the government's recently announced emphasis on a smart-growth approach to planning our urban centres and transportation systems of the future. It's a strategy that is long past due, and if it's handled well it will provide solutions for the future in transportation. But in developing our strategies for the future, again, we must avoid the misconception that Ontario's transportation problems can be solved by ignoring roads and focusing completely on public transit. It is a naive and dangerous misconception because that type of tunnel vision ignores the reality that people aren't about to give up their cars tomorrow, nor does it speak to questions about how we get our products and manufactured goods to market and to the border or how we get our raw materials to our factories.

We tend to talk these days about roads and public transit as if somehow they are mutually exclusive, as if the answers lie with either one or the other. It might be enlightening to consider that outside of the GTA public transit means buses almost exclusively, and buses need good roads. Sixty Ontario municipalities have public bus systems and 1,100 communities are served by inter-city buses. There are 40 million passenger trips on 4,100 transit buses and 1,500 highway coaches every year. Without good, safe roads, public transit doesn't work.

SuperBuild was established to manage Ontario's infrastructure planning and investments. A large part of SuperBuild's mandate is to leverage private sector money to provide that infrastructure. We believe the private sector is ready for that challenge in providing some of the new highways Ontario needs, but there is some fundamental direction required from the government, and we must get on with the job.

The mid-peninsula highway, for example, was needed yesterday, and if we decided to build it right this minute, there still wouldn't be shovels in the ground for several years yet. There are needs assessments, environmental assessments and land acquisitions to be undertaken, and I think some discussions that our organization had with SuperBuild over the past year have established that these are functions for which the government must retain responsibility.

The private sector will build the highways of the future where a reasonable return can be projected, but the government must initiate it. We are already far behind in the task of providing adequate highway capacity and it's imperative that we move now with the decisions necessary to ensure that no more time is wasted. I would caution that not all highways of the future will be appropriate for public-private partnerships, and governments cannot expect that this solution will address all of Ontario's requirements for new roads.

The second subject I would like to touch on today is Ontario's municipal roads, which account for a full 90% of the province's roads inventory. There is, or should be, a growing concern about the lack of investment by some municipalities and the implications that has for economic growth and public safety in the province.

Municipalities are now completely responsible for funding of the local roads from their property tax base. Some of them believe the province has left them holding the bag and have not accepted this responsibility, and others simply put roads investment at the bottom of their priority list at budget time because it's easier to do than raising taxes. There are some municipalities, especially in northern Ontario, that legitimately cannot bear the full responsibility because geography and development patterns have left them with a greater need for more roads and too thin a tax base to support them.

Notwithstanding that municipalities now have the responsibility for funding their local roads, we believe that the provincial government also has a responsibility to ensure that our municipal roads systems adequately serve the collective interest. This interest is economic because our roads are all part of a network, and if one part is broken, the system cannot work properly. It is also a matter of public safety, and that is a provincial responsibility. Our municipal bridges are a good example. They are supposed to be inspected every year but in many, and I'd say most, cases this is not happening. We know that some, maybe many, are inadequate and well beyond the stage in their lifetimes that repair is necessary. Are we going to wait until one collapses during a rush hour before we move to ensure that our municipal bridges are safe?

A couple of years ago we suggested to this committee a dual-purpose strategy that we still think is a good idea. We suggested that a level of funding be established as something of an infrastructure emergency fund, which would be available to municipalities that could demonstrate hardship and a real problem with maintaining their local roads. This would require some level of financial

commitment from the provincial government, but it would solve two problems at the same time. In order to be eligible for funds from the program, a municipality would have to demonstrate need, and to do that they would have to undertake a program of monitoring the condition of their roads and bridges.

#### 1040

I don't think too many people realize that, in many cases, this isn't happening any more. We have no way of even knowing the condition of roads and bridges in municipalities that are no longer making those types of assessments. This is convenient in that if you don't know there is a problem, you don't have to fix it, but it should be seen as unacceptable in a sophisticated province like Ontario to bury our heads in the sand when it comes to 90% of our road system.

Whether the province looks at our idea for a special fund triggered by demonstrated need or some other initiative to address this situation, we believe that this government must show leadership in ensuring that our municipal roads and bridges are not allowed to crumble due to neglect.

We also think the public-private partnership model has tremendous potential for generating new funding for municipal roads and bridges, and we urge the government, through SuperBuild, to initiate the dialogue that will produce the innovative approaches and new ideas that will make this happen.

The final subject I would like to touch on with you today is that of the need for a longer-term approach to capital planning for provincial highways. Late in 1999 our association delivered to the government a report that indicated the potential for some \$65 million in increased efficiencies through a multi-year capital planning process and by calling road work earlier in the year.

Currently, capital budgets for provincial highways are established annually. Until the budget comes down in April or May, there is little indication of that year's funding commitments. The road-building industry cannot apply proper business planning tools, and this extracts a huge price in terms of productivity and efficiency, a price that is invariably passed on to the government owner and eventually the taxpayer. It is one of the few industries I can think of that has to re-create itself every year, not able to properly plan investment in plant, equipment and human resources.

We are not looking for more money here, just some upfront planning that would benefit Ontario taxpayers and our industry. We recognize that the provincial budget is the main tool for setting fiscal policy, but we have also suggested that there will always be a baseline portion of the annual program that can be established upfront, so why aren't we doing it? Given an annual baseline funding level projected out over several years, the Ministry of Transportation would be in a position to better plan its flow of work. The ministry could start tendering work in January and February of the year instead of June and July, and an industry that now does most of its work in



about a six-month construction season could be working nine months of the year.

This makes so much business sense to us that, quite frankly, we can't understand why it is not happening. Everyone we have spoken to at all levels of government acknowledges the common sense of what we're saying. Everyone we talk to in government agrees that it makes good business sense, that it saves the taxpayer money and that it builds a stronger road-building industry. But it isn't happening and nobody can tell us why. Year after year we're told, "Yes, we're going to move in that direction," and year after year it doesn't happen.

This is not rocket science or some revolutionary way of handling the government's finances. Pick a number: \$500 million, \$400 million or whatever a comfortable number is for the government to work with, and then get that amount of work out earlier in the year and our industry will deliver the benefits in terms of cost savings and quality of work.

Admittedly, last year the government did, for the first time, make some progress in this area. We got more work out between January and April 2000 than was tendered in that period for many years previously. The industry was encouraged and was able to squeeze more out of an already short construction season. If this were to continue year over year, the province would begin to see the types of cost efficiencies and productivity that our report indicated. But this year we have gone back to our old ways again, and our industry is waiting until April or May, or whenever the budget comes down, before it knows how many people to hire, how many trucks to line up, how much stone to stockpile etc. By addressing this issue, the government can realize better utilization of tax dollars.

Thank you, ladies and gentlemen of the committee, for your time and your attention. Our association, as always, looks forward to continuing to work with your government to ensure that Ontario's road system delivers economic benefits, optimizes public safety and contributes to the quality of life for Ontario citizens. I'd be pleased to answer any questions you might have.

**The Chair:** Thank you very much. We have three minutes per caucus.

**Mr Christopherson:** Thank you for an excellent presentation; it was very concise. You hit on three very important areas and made a good, concrete recommendation. So all in all, it was a very good presentation; thank you. I'll try to make comments and ask a question on each of the three areas and leave it to you to respond to whichever part you'd like.

I'm from Hamilton, the heart of the Golden Horseshoe. If anybody knows about what it's like on the QEW between Toronto and Hamilton, it's me and any of the other members who are in the Hamilton area. The difference between now and when I was first elected in 1990 is so stark you'd think you were in a different province; it's that dramatic.

What I wanted to ask is, when most of us think about major urban centres around the world, congestion sort of goes with it. A number of thoughts come to mind, and

that's one of them. I wondered if you could give us an example of a world-class, world-level city comparable to Toronto that has come up with either an innovative way or a clearly different approach that, in your opinion, has worked.

Secondly, on the municipal road structure, I'm glad you're raising this early. It's not the first time. There are a number of other areas that municipalities have been given responsibility for, social housing being another prime example, where, because of the fiscal pressures on municipalities, some—let's be fair—are either not going to make the right choices for the long term or, because of fiscal pressures, will have no other choice but to make decisions that are only in the short-term, maybe medium-term interest of their community, but not the longer-term.

But when you talk about things like roads—and I'm glad you raised the point—you can't just say it's a municipal problem confined to that municipality. Everything is interconnected. Already, because of that differential, because different municipalities are going to see and have the fiscal ability to deal with their road infrastructure problems differently, we could have problems in terms of the overall Ontario transportation network. Right away, we're seeing you recommend that there be some kind of fund that's triggered after certain thresholds are crossed. But at the end of the day, it brings the province right back into an area that they were trying to get out of. Do you know what? At the end of the day, I don't think they'll ever be able to completely separate them without running the risk that various points in the transportation network are going to be problematic, affect other financial centres and quality-of-life centres, and no one will have anything to say about it because it's strictly a municipal jurisdiction.

On the last item you raised, our government's probably just as guilty as this one. I didn't hear you point to any of us in the past who did a magnificent job of getting those numbers signalled to you early. So I'm wondering—I'm assuming it's not a political thing but it's a structural thing—what kind of answers do you get from the Ministry of Transportation, other than the obvious, "We have to coordinate the budget all at once," when you raise this issue about signalling ahead of time so that you can get your ducks in order?

**Mr Bradford:** You've touched on three areas there. I'm not going to be overly helpful today on the first area. I think you raise a good point. Our association should get busy and do some homework and deliver to you some research on other major urban centres that perhaps have found better solutions. Unfortunately, I'm not prepared to give you those answers today.

On the subject of municipal roads, this is obviously a very touchy political issue. The responsibility for municipal roads has been passed on to municipalities. That's what we're telling municipalities. We're telling them to take that responsibility to heart. But, as I pointed out in our presentation, I think the province has a responsibility to look down from the top of the thing and say, "Is this working overall? Is it serving our purposes?" That may in

fact require some money to ensure that where it isn't happening properly and where legitimately a municipality cannot meet that responsibility, possibly the provincial government's got to intervene and provide some assistance.

1050

On your third question, I think the Ministry of Transportation is on our side on this one. We've got a new minister; I don't know how he feels about it. But right up to the ministerial level, this stuff about getting work out early makes sense. What are we being told? We're being told that it's all housed within the office of the finance minister. As I pointed out, nobody's giving us any answers about why this can't happen. Everybody says, "Yes, we're going to do that." It makes a lot of sense, but it just doesn't happen. I don't know why, and nobody's given us good answers to that.

**Mr Christopherson:** Thank you for your presentation.

**Mr John O'Toole (Durham):** I'd like to share a little bit of time with Mr Arnott, but I just want to start by saying thank you for your information. I appreciate that and the acknowledgement. I think you've stated quite fairly that the government is trying to look at the infrastructure, specifically, in your case, the roads. Clearly, it is an issue, as you described, of safety and economy. I drive the roads every day from Durham.

Just on the municipal part, having served there for a couple of terms, I'm quite familiar with the whole look at, through the Fair Tax Commission and other ways, who funds what. There were always conditional and unconditional grants. Roads have a lifetime, and there should be an easy planning tool there for municipalities. I'm sure you could give them—and the Premier is speaking currently about the whole issue of smart growth: the use of public transit. We're also hearing the position of the chamber on a transportation authority of some sort. I think there's a lot of attention being paid to the impact generally on the economy, but making the right choices and long-term planning.

I have one specific question, though. I look at the 401 as sort of the artery of our economy, to a large extent, and there's not one nickel of federal money involved. There's \$2 billion or more in revenue that comes from them. They need to be part of that solution, both in the public transit equation as well as the equation for our highways. You can comment on that, if you wish. If you think not, I want to hear your views, not mine.

The other part of the question is, looking at the longer term—longer-term capital planning is right on our government's agenda. That's what we do best, in my view, and clearly, from your opening statement, we're moving in that direction; SuperBuild is supposed to be doing that. What about the whole use of the current technology: the asphalt-versus-concrete equation? That's an important issue of investment. Do you believe that the current technologies for building highways are the right investments, or should we be looking at concrete as low-maintenance, if you take a 10- or 15-year window on maintenance, plus

initial capital? Should we be giving that serious consideration: concrete on our highways?

**Mr Bradford:** I'll respond to both of the points you made. Yes, certainly, if I weren't here today, I'd be in Ottawa making the same points. It's an absolute travesty how the federal government refuses to take any responsibility. Yes, they have a huge responsibility to our national highway system. They are not living up to it and we're telling them that regularly. But please don't take that as a reason for the province to say, "The feds aren't giving us any money. They should be," so nothing's happening. We do have a responsibility, but you're quite right: the federal government has a responsibility.

On this whole thing about asphalt and concrete, it's the kiss of death for me to start talking about which is better. We are calling some trial projects this year where some life cycle costing considerations have been taken into account. All I can say is I guess we're going to see, in a very short period of time, which delivers the best benefits to the taxpayer.

**Mr O'Toole:** I think Mr Arnott has a question.

**The Chair:** In view of the time, I have to go to the official opposition.

**Mr Monte Kwinter (York Centre):** Thank you very much for your presentation. I don't think anybody in this province denies the benefits of having a good road system. It's a given. I don't think you'll find anybody who will have a different opinion. The big problem is, how do you finance it? That's why we see Highway 407. I noticed there was a report today that the use of that highway has exceeded their expectations. They're making money and they're going to expand it.

The problem we have—and I think it answers your question why there isn't an earlier indication of what the budget is going to be. All you had to do was see the reports of the cabinet meeting yesterday. We are going into a downturn. How serious that is depends on where you come from, but certainly it's relatively pessimistic. The Premier has gone on record as saying the only areas that are going to get any increased funding, as far as he can see, are health care and education. He's going to be calling on every other ministry to hold the line or cut, otherwise there's no way they can keep to their fiscal plan. He said that very emphatically. If you talk to the people at the Ministry of Transportation, they'll say, "We can't give you a figure because we don't know the figure. We don't know what envelope we're going to have to spend." That's unfortunate, from your point of view. I understand that.

I'd like to ask you about the issue you raise, and I think it's a valid one, that these private-public partnerships can't work everywhere. You get an area like the GTA, where there's lots of traffic, and you can make a business plan: if I build a highway and I get so much traffic and I charge so much on a toll basis, we can make money. I can get investment to build it, and that's what happens. With some of these other projects, particularly in the north in sparsely populated areas, you can't make that business plan. As a result, there's no one who will



build them because they may never recoup their costs. So there is a role to play. Do you have a comment on that?

**Mr Bradford:** I don't know that you've asked me a question, Mr Kwinter.

**Mr Kwinter:** The question I'm asking is, how do you finance those highways—

**Mr Bradford:** Where there is no rationale for the private sector or where there's no reasonable return on investment, I think we've indicated it is a government responsibility. If we need a new highway up north, you're quite right: the toll revenues or whatever are not going to justify it. That's where we see the provincial government having the responsibility to ensure that the capacity is adequate.

**The Chair:** With that, Mr Kwinter, we've used all our time. On behalf of the committee, thank you very much for your presentation this morning.

### ONTARIO FEDERATION OF LABOUR

**The Chair:** Our next presentation is from the Ontario Federation of Labour. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome.

**Mr Wayne Samuelson:** Wayne Samuelson. I'm president of the Ontario Federation of Labour. With me is Ross McClellan from federation staff.

Let me begin by saying it's always a pleasure to come to this committee. It's one of the few committees we actually get to go and say something to with this government. While the Premier certainly doesn't seem to elevate any of you people to cabinet, it's always a pleasure to see you here and talk with you, although I'm surprised by it, and I'm sure at least one of you will be gone next year.

I am pleased once again to present a pre-budget submission to the standing committee on finance on behalf of the 600,000 members of the Ontario Federation of Labour. Once again we feel it is necessary to inject a note of caution and concern into these proceedings, marked as they are by the vigorous, self-congratulatory back-patting of the Treasurer and his government supporters. Our concern is caused by the threat made by the Premier, and repeated by the new Minister of Finance, to engage in yet another round of tax cuts.

I want to focus on the issue of tax cuts. We've provided some up-to-date material for the committee on recent labour market trends in wage settlements from collective bargaining and job creation, which I'm sure you'll find helpful, but I want to focus on tax cuts in the context of the economic slowdown, which has already arrived.

1100

The American economy is finally emerging from one of the most remarkable periods of sustained growth in its entire history. After going into a sharp recession in 1989, the US economy recovered rapidly and produced more than a decade of spectacular economic growth with virtually full employment. Not only that, the Americans

managed to wipe out their deficit. They also generated a fiscal dividend in the form of budgetary surpluses that now exceed \$1 trillion. Canadians could only watch in amazement while the two candidates for the US presidency debated one single issue during last fall's US election: how best to spend that fiscal dividend, the tangible legacy of one of the strongest periods of economic growth at any time in our history.

It's worth pointing out that the superboom in the US economy had nothing at all to do with the Harris Common Sense Revolution mantra of "Tax cuts, tax cuts, tax cuts." It's a very inconvenient fact that President Clinton actually increased taxes in order to pay down that huge US deficit.

The second fact that lies at the centre of the American economic miracle is that American monetary policy has been based firmly and fundamentally on keeping interest rates low. It is this low interest rate policy, adjusted regularly by the US Federal Reserve, that created the rapid recovery in the early 1990s and sustained US growth through the rest of the decade. This growth, we repeat, took place during a time when taxes were actually raised.

When we compare the American experience with our own, the result is not only sad, it's also depressing. We really do not have much reason to sing along with the government's Hallelujah Chorus. The Bank of Canada pursued a high interest rate policy from 1989 until 1996 exactly opposite to the US. The result was a made-in-Canada recession that lasted eight miserable years. Now we have every reason to fear that both Canada and the US are heading into yet another recession. Despite the economic growth that Ontario has enjoyed since 1997, we need to remember that the Canadian economic recovery had less than half the lifespan of the American economic boom. Unlike the Americans, who have enjoyed 10 years of vigorous economic growth, Ontario has had only four consecutive years of real economic growth, from 1997 to 2000.

The truth is, the first two years of the Common Sense Revolution were so bad in economic terms that they totally wiped out the recovery that had started in 1994, when real growth was 5.9%. The 1994 recovery was followed by the plunge in 1995 down to 3.7%, and the GDP growth collapsed in 1996 to a miserable 1.1%. Not until 1999 did Ontario return to and surpass the level of growth achieved in 1994. Now, after just two years of very high growth, the forecasts for 2001 are dropping like a stone from week to week. So the orgy of self-congratulation and back-slapping is hardly justified; neither is the mindless optimism.

We listened carefully to the optimistic predictions from officials of the Ministry of Finance the other day. We would remind the committee this is the same ministry which predicted that the 1989 budget of the province was in balance with a \$3-million surplus, until it disappeared on election day in 1990. It's the same ministry that predicted in 1989 that the recession would be short-term and of insignificant duration. A little bit of humility might seem to be warranted here.

I want to stress again the fact that the restructuring of the Ontario economy which followed the free trade deal and NAFTA has turned the Ontario economy into one that has a fundamental dependency on export trade. Ontario's prosperity is tied directly to our ability to export, and 93.5% of Ontario's exports go to the US. Despite the head-in-the-sand denial of the Treasurer, who comes from the Oshawa area, of all places, Ontario's export trade is fundamentally based on the auto sector. To deny this is utter folly.

One Ontario job in six depends on the auto sector and its myriad suppliers in steel, plastics, glass and all the processing and manufacturing concerns that funnel their products into Ontario's auto industry stream. Motor vehicles, parts and accessories accounted for over \$80 billion in export trade in 1999 and were fully 41% of all Ontario's exports. Anything—and I repeat—anything that threatens the auto sector in this province is a huge threat to our standard of living. As everyone in Ontario knows, with the seeming exception of the Minister of Finance and his ministry, the auto sector in Ontario has been hit with the worst blows in over 25 years, with a real likelihood of more bad news to come. The US market for our auto exports has collapsed. Combine this with the end of the auto pact, and the discombobulation that has hit Chrysler Canada with the failure of the merger with Daimler, and it adds up to real trouble for the cornerstone of the Ontario economy.

The auto sector is not the only trouble spot. We are monitoring significant layoffs in steel, communications—Nortel's bad news coming just last week—and we're also starting to see some stall in the construction sector. The signs are all there for a significant downturn and it's already starting. There is every reason to assume we are once again entering a period of recession and therefore we should be planning for that contingency. We're all wondering is, how bad will it be?

The very last thing Ontario needs is more tax cuts. Let us remember the 1994 promise before the first round of Common Sense Revolution tax cuts. Let's remember those promises: no cuts to education and health care. We all know what those promises are worth. We fully realize that behind every tax cut lie spending cuts and that every spending cut translates into layoffs of public sector workers. It's absolute folly to compound private sector layoffs that are now taking place with another round of pink slips for public employees. That is a sure way to compound the recession and increase the amount of misery.

There is of course a real alternative to tax cuts. That alternative actually has worked to get both Canada and the US out of recession, and that's a low interest rate policy. Not only that, but low interest rates are worth more real money to working people than the across-the-board tax cuts we've been getting. Income tax cuts put most of the money into the hands of the wealthiest people who pay the most taxes. Every point off the interest rate generates huge cash savings for working people, and that helps to pull us out of recessions. Instead of lecturing and

hectoring the federal Minister of Finance about more tax cuts, as he's been doing, Ontario's Treasurer should be speaking out in support of a low interest rate policy, and he should be praying that the US federal reserve is once again able to set an interest rate policy that will sustain the US economic miracle into the future. Another round of tax cuts in the context of economic slowdown or recession will simply finish off the first job of wrecking what is left of our public health and education systems and do much more damage besides that.

Health care: Further cuts to Ontario's health care system cannot be sustained after the craziness of the last five years. The massive reinvestment of the past two years has been completely unable to repair the damage of the first three years of the Common Sense Revolution and its assault on our hospitals. Further cuts will simply provide the final excuse to introduce a two-tier medical system. If that happens, it is inevitable that the new costs of pay-as-you-go medicine and health care will be placed on bargaining tables across this province, and you can kiss goodbye the competitive edge that our medicare system gives to Ontario industry. The auto sector alone enjoys a \$6-per-hour cost saving over our American competition.

A second round of tax-cut-driven spending cuts will push post-secondary education over the cliff. Somebody will have to explain to me and the people we represent how cuts to education help prepare our young men and women for what everybody calls the knowledge economy. We do not need tax cuts. We need more tax-financed investment in post-secondary learning as a matter of simple economic survival. We urgently need public investment in learning for the early years to ensure that no child in Ontario is left behind in the knowledge economy. What we do not need is more tax cuts.

It's interesting that the person before me spoke about capital investment, because I also want to highlight that: capital investment in roads and transit. Ontario's capital spending has been decimated to pay for the first round of tax cuts. As a result, our transportation infrastructure is falling further and further behind the pace of urban and interurban development, especially in the GTA. I've included some charts that talk about the capital deficit in roads and transit.

Ontario's GO Transit system, once at the forefront of commuter transit, has been allowed to decline and languish. Its park-and-ride facilities are now so inadequate that service expansion is impossible. Its user-hostile scheduling and crazy mix of bus and train service is a jumble that's impossible to understand. It is completely unintegrated with the TTC and other urban transit systems. What is urgently needed is a massive public investment to turn GO Transit into a modern, integrated, people-moving service right across the GTA and to do the same in other major economic centres of the province. This just will not happen if we continue to cut and cut taxes.

**1110**

In an era of just-in-time inventory, it's a recipe for economic disaster to continue to allow gridlock on



Ontario roads and highways and to completely ignore the creation of an integrated public mass transit system across the GTA to ease the current massive congestion. You'll notice that in the US our American competitors have invested billions in highway modernization, while Canada continues to squander its resources on tax cuts. We may just wake up to find that those industries which need just-in-time delivery have gone to a jurisdiction where their deliveries are not stuck in perpetual traffic jams.

**Housing:** No other policy of the current government has been as much of a disaster as its housing policy. By relying exclusively on private market forces to supply affordable housing and by totally deregulating the private sector market, this government has created a housing disaster of world-class proportions. The eradication of rent control has led to a new wave of economic evictions across the province but nowhere as dramatic as here in Toronto. The fastest-growing group of homeless people now is children whose parents cannot find an affordable home. We have over 6,000 homeless children living in shelters. Homeless people are dying of exposure at the rate of one a week this winter in Toronto. Conditions that used to be confined to the Third World are now commonplace on many of our streets here in Ontario.

This is a good time to remember why it was that government got into the housing supply business in the first place; it is because the private market has been absolutely incapable of providing affordable housing since the late 1960s. It was the crisis of housing supply in the early 1970s that forced the Davis government to introduce rent controls in 1975. Every subsequent government recognized the need to protect low- and modest-income Canadians from the threat of economic eviction and homelessness, except this one.

After five years of decontrolled rental housing and the enactment of the entire wish list of the private development industry, the Minister of Municipal Affairs is reduced to ranting and raving at builders and developers for their failure to build affordable rental housing. We are now back at the beginning, where we were in the 1970s, except the situation is worse. Given the basic unchanging and unchangeable reality that the private sector cannot and will not build affordable rental housing, the only solution is to re-establish a provincial housing supply program. We believe the disgrace of homeless men, women and children will continue to bring shame on this province until once again we assume responsibility and get back into the housing business by supporting the construction of municipal non-profit and co-operative housing.

Before I go on, let me just take a second to point to this ad. I know the government members here aren't responsible for some of the silly things their government does, but placing this ad in the commuter newspaper—I don't know if you've seen this—so homeless people have a number to call in Toronto to find someplace to sleep is not an answer to dealing with homelessness. This is the most insulting example of a waste of government money

I have ever seen. If you want to deal with the issue of homelessness and people dying on the streets, then you should deal with it and not try to cover it up with advertising campaigns like I've seen in the papers this week.

Finally, I want to make a plea to this committee to put a measure of compassion back on the province's fiscal agenda. The outgoing Treasurer spoke often about compassionate conservatism, but there's certainly little to show for it. One thing that needs to be done is to increase social assistance rates for the poorest of the poor, who have not had a raise in their income in 10 years and who have actually suffered a 30% reduction in their standard of living since 1995. Ontario's workfare program, which forces the poor to work for a welfare cheque instead of a paycheque, should be replaced with a fair work program that provides decent jobs with decent pay and the protection of Ontario's labour laws.

I'm going to ask Ross to give you a brief summary of the appendices which deal with wage settlements, jobs and the economy.

**Mr Ross McClellan:** Very quickly, as we always do, we've provided the most recent data on wage settlements from collective bargaining in Ontario. I apologize that some of the charts are illegible. I've included an insert. Our scanner was on the fritz yesterday and we weren't able to produce the quality we would have liked.

Collective bargaining wage settlements over the last three years have averaged 2.1% a year. That breaks down into 1.8% per year averaged over the last three years in the public sector and 2.6% in the private sector. During the same period of time, the consumer price index has averaged an annual increase of 2.5%. The most recent number from Stats Canada, which is a bit concerning, is that the year-over-year increase in the CPI in January was 3.6%. It's obviously being driven by increasing energy prices that are up, during that period, 10.6%.

My point is that wages have nothing to do with whatever is happening to the CPI. Wage settlements from collective bargaining are running below inflation, and that's important in terms of interest-rate policy, as you know. If you accept our president's recommendation that interest rates are the key factor, there's no justification for concern that wages are driving inflation. Wages are behind inflation, especially in the public sector. Any wealth that's being generated by the so-called economic boom is sure not being shared by working people, because their wages are falling behind and they're not catching up. They're falling further behind.

Just a quick note on job creation. It's useful for the committee to look at the graphs on the final page. There's a lot of hype about all the jobs that have been created since 1995 in this recovery. Most of them have been created since 1997. A third of them are part-time jobs. You need to keep this in mind. When we look at these job numbers and all the back-patting and self-congratulation, a third of the job growth is in part-time jobs. Then, when you get behind that even further, you discover that, even conceding that some of the self-employment jobs

are part-time jobs—and I don't think they are—the most conservative estimate is that 28% of the new jobs that have been created in Ontario are self-employment. I think that's probably a higher number, because I assume most of the self-employment jobs are actually full-time jobs. If you calculate it on that basis, it would be closer to 40% of the new jobs created since 1995, but I'm being conservative, because it's a Conservative government, and 28% of the jobs are self-employment. Half of those are self-employed individuals with no employees, in other words, people who are trying to sell Amway and are sitting in their basements staring at their computers waiting for the phone to ring, people who have been displaced from good jobs and are struggling to survive. Those numbers tell us that we're still producing a lot of bad jobs along with the good jobs that are being produced in this province.

**The Chair:** Thank you very much. We have two minutes per caucus, and I'll start with the government side.

**Mr O'Toole:** It's good to see you again, Wayne. I'm confident the Minister of Finance, Mr Flaherty, whom you made reference to, will be quite concerned in representing the auto sector. Certainly I am. I hope there's a job for me there two elections from now.

**Mr Joseph Cordiano (York South-Weston):** You'll be in the cabinet, John.

**Mr O'Toole:** That's right. I'll certainly be upset if I'm not. I do appreciate your sense of humour, but I also want to make sure I note that I'm always available and I do meet—whether it's the construction side or whatever. To leave an impression that we're not listening is absolutely wrong, but there are always two sides to the equation.

I want to focus on the tax-cut issue a small bit, as it dominated a fair amount of your presentation. Before I get to that, though, I want to talk a little bit about the monetary issue. I don't disagree with you. I firmly believe that interest and interest manipulation is supposed to control demand. Obviously, increased interest reduces demand.

1120

I could make the same argument for tax policy too. There is a clear relationship, especially in the lower-income groups—those people under \$40,000 or \$30,000 spend a larger part of their disposable income—and if you increase that disposable income, either through interest, ie, lowering your mortgage and therefore you have more money to spend on heating the house or whatever, they're going to spend it. My argument is, like the interest argument—I believe we should have low interest, I really do. Clearly, Alan Greenspan has made that the monetary policy in the States, and I think the Bank of Canada will follow suit, probably in March, and lower it a point or a half point.

That being said, the analogy I'd like you to respond to is, if you lower taxes, it's the same thing. I have evidence here, Wayne, that would show you that our tax changes to a working family—that's two people working, each making \$30,000 a year—amounts to something like

\$1,700 of increased disposable income. That increased disposable income, to some extent, was clawed back by the federal government. They increased the CPP, they increased the EI deductions and they increased and didn't change marginal tax rates.

**The Chair:** You've got one minute left, Mr O'Toole.

**Mr O'Toole:** Don't you support lower interest? Yes. Don't you support lower taxes? Your employees, that's their income you're talking about.

**Mr Samuelson:** You should make a similar pitch to the Minister of Finance, that stuff about low-income people spending their money, because maybe then he would quit giving huge tax breaks to people who already have a whole lot of money, which is exactly what your tax break regime does. You know that and everybody knows that. So you should make the pitch to your colleague in the Oshawa area, who, I should note, had the job for three hours and lowered the projections by about half a point.

**Mr O'Toole:** Very responsive.

**Mr Samuelson:** Very responsive. We've got a lot to worry about.

The issue of tax relief can't be dealt with without looking at what the impact is. I feel it with my kids, who are in the school system and, if you're being honest, you do too. We certainly know what it's doing to our health care system. You can't simply deal with these huge amounts of money you're giving to people who already have lots when what it means to most of us when we try to go into an emergency ward is that we're told, "Sorry, we're closed. You'll have to go down the street somewhere."

With all due respect, that's the context in which we try to approach the issue of tax cuts and tax policy.

**The Chair:** Mr Cordiano?

**Mr Cordiano:** Thanks for your presentation. I think it's very thorough and thoughtful. Given that we're seeing an impending slowdown in the economy, the Premier's response yesterday—my colleague Mr Kwinter pointed this out to me—coming out of a cabinet meeting, his immediate reaction was to suggest that there will be further cuts to the public sector and that every ministry is being told to hold the line. So there is going to be a freeze on any additional spending and further cuts, at best. That implies we're not going to see any of the types of investments that you're calling for in capital expenditures, housing, social assistance, health care or education.

Further to that, with the downloading of most of these responsibilities on to municipalities—for example, roads, public transit, housing, social assistance—and I suppose there will be additional pressures on municipalities to increase property taxes as a result of some of these additional burdens that have been placed on them, how are we going to respond in the midst of an economic slowdown to invest in some of these areas that you're calling upon the province to invest in? Where is this additional money going to come from? Is it going to come from what you've suggested should be a freeze in additional tax cuts?



The recovery isn't going to happen for some time, so the revenue base for the province is going to slow down. I'm just wondering how it is that the province would continue to fund particularly health care, which still remains a provincial responsibility, and education.

**Mr Samuelson:** Even without the context of an economic downturn—again, we all have different views on how serious it's going to be—clearly the government is positioning itself to get rid of a lot of these services. You read in the paper today that they want to privatize. They want to give their friends our health care system. I think they're in trouble to start with; I think we're all in trouble. I can't imagine what's going to happen if we enter an economic downturn like, on a personal level, I fear.

I worked in the early 1980s every day in a plant that was dependent on the auto industry. I was a municipal politician in a community that was dependent on the auto industry. Let me tell you that when it comes, it comes very fast. Plants that employed 3,000 people within months were down to 700 and 600 and then it rippled through the economy. If the government wants to bury its head in the sand and say, "This is not something we have to worry about. Everything's going to be fine"—they put themselves at some political risk. But I'll tell you, they put the rest of us, a lot of people, at a big risk in terms of providing for our families. I can remember well people who had worked for years who were not only approaching our welfare system and food banks but facing challenges they never thought they'd expect. When I look at the numbers I see in terms of layoffs in the auto sector, they are the kinds of things we saw in the early 1980s.

**The Chair:** Mr Christopherson.

**Mr Christopherson:** Thank you, Wayne and Ross. I'm glad you took at least a moment to recognize the fact you don't get in here very often on those major pieces of legislation, like the Employment Standards Act, that are just steamrollered through the House with no opportunity. Whenever the government members say to people, "Gee, we're really glad to have you in here. We like to hear from people. It's really important," it's very selective. There are a lot of things they don't want to hear from anybody and they've made sure they haven't. So I'm glad you raised that.

Obviously, the focus for you today is tax cuts and urging the government not to go down that road. I think the signal this morning from the Premier indicates they're not prepared to back off the accelerator in terms of tax cuts, even though as experts have come in—you talk about how quickly things change. Even in the last couple of weeks, some of the economists coming forward have been dampening their enthusiasm for tax cuts. Even yesterday, a gentleman from Nesbitt Burns came in. I don't want to put words in his mouth, but he was cautioning that they ought not to do the tax cuts right away. He was still committed to them, but he was saying to back off a bit. In the morning we had looked at a presentation that Hugh Mackenzie made that pointed to the fact that there was only one scenario that kept us out of deficit,

and that was to back off the tax cuts, and if we were lucky enough we'd have a soft landing; if those two things happen, then we'd stay out of deficit.

Every other scenario says we're going under and, based on what the Premier is saying today, clearly they're not going to take their foot off the accelerator. If we get a further downturn, worse than what's being projected, and they're being revised constantly, almost daily, we're going to see a real crunch. The people who came in here at the beginning of this process a couple of weeks ago, who thought they were debating where we ought to go with a \$1-billion surplus as a starting point, are going to find that we're worse off than we were a number of years ago.

I want to ask you directly about the tax cuts and kitchen table economics, because that's where things really matter in this province. It's my sense that it has taken a long time, but a lot of people who voted for this government because they thought they were going to get big tax cuts, which you've pointed out the vast majority of the middle class don't get, have begun to recognize—even the skilled trades auto workers with all the overtime. That's who's pointed to as the people in the blue-collar world who still voted for the Tories, and they did get back in. My sense is that people are finally beginning to make the connection that all the other things they're worried about—when they're watching tuition fees go up, the hospital closures, the schools aren't sufficient, all those things happening—they're beginning to realize there's a link between those cuts in circumstances and the cost on their quality of life and the argument that tax cuts are the way to go for the future. What's your experience? What are you hearing across the province as you move around from community to community?

1130

**Mr Samuelson:** I think, Dave, you've characterized it very well. I was on a phone-in show in Thunder Bay and this woman called in. She said her son was in grade 5 and that he used to get help with his schooling because he was challenged. She said her son no longer gets the help. Then she said, and these are important words, "My son will suffer because of this every day for the rest of his life."

I think these kinds of impacts of tax cuts, whether it's writing an extra few hundred dollars on a cheque for tuition or knowing that your child is not going to get the help they need, or somebody you know doesn't have access to a hospital or a shelter, those kinds of issues, become real to people. It takes some time for these tax cuts to work through the system, and I don't think there's any doubt that people in Ontario are starting to see what it means. I'm very fearful of what will happen in the future.

Just before I leave, and I know you're about to cut me off, you all have name tags. I've included here a list of some of the circumstances around the people who died on the streets of this city and this province in the last year or so. I'd just like to leave it with you so that you have a sense of what it means. Maybe you can talk to whoever is

wasting your money on these ads and try and do something to really help people so they don't die on the streets of our cities.

**The Chair:** With that, I have to bring it to an end. On behalf of the committee, thank you very much for your presentation this morning.

#### ONTARIO CATHOLIC SCHOOL TRUSTEES' ASSOCIATION

**The Chair:** Our next presentation is from the Ontario Catholic School Trustees' Association. I would ask the presenters to come forward and state their names for the record. On behalf of the committee, welcome.

**Mrs Louise Ervin:** Good morning. I'm Louise Ervin, president of the Ontario Catholic School Trustees' Association. With me are Patrick Slack, our executive director; Regis O'Connor, our past president; and Carol Devine, our director of political affairs and media relations. With us in the audience is John Stunt, who is our incoming executive director. He will take over that position on May 1.

The Ontario Catholic School Trustees' Association, known as OCSTA, represents all 29 English Catholic district school boards and five English Catholic school authorities in the province. The association appreciates the opportunity to speak to you on their behalf.

In the fall of 2000, OCSTA prepared a brief on education finance, which is attached to our document, and submitted it to the Minister of Education. The brief was entitled Education Funding—Refinements and Enhancements. Our presentation to the standing committee on finance and economic affairs is based in large part on the education finance brief. It reflects the experience of English-language Catholic school boards following two full years of implementation of the province's new education funding model.

OCSTA and its member boards share the government's goal of providing high-quality education for Ontario students. We recognize, as does the government, that education plays a central role in both the economic and social development of our province. It is the route to economic growth and prosperity in a society that is increasingly dependent on knowledge and its application. High-quality education will help to keep Ontario competitive in our global economy.

Education requires access to resources of many kinds and the funding to secure these resources. Ontario has been experiencing a robust period of economic growth in recent years. Ontario's students must benefit from this prosperity. Education must therefore have a high priority in government spending.

OCSTA has long maintained that to be accessible, the education funding system in Ontario must respond to four essential principles: equity among all Ontario school boards; flexibility and autonomy to address the goals of the system and to meet local needs; accountability to ensure efficient and effective use of educational resources

for students; and adequacy of resources in the funding system.

**Mr Regis O'Connor:** Thank you, Madam President. Good morning, ladies and gentlemen.

Positive steps have been taken in meeting many of these standards. OCSTA acknowledges and appreciates the actions of the government in establishing a fair and equitable funding formula for Ontario's four publicly funded school systems. All school boards are, as of this year, theoretically on the same footing for the application of the funding parameters. The initial and prolonged delay in implementing equity in Toronto and Ottawa, and the impact of many years of inadequate funding levels for the province's assessment-poor boards, continue to create challenges.

OCSTA applauds the minister's response to several recommendations made previously regarding refinements to the funding formula. Catholic school boards agree that responsible and accountable spending of taxpayer dollars is essential, and they continue to seek cost-effective ways to provide programs, services and administration. The quality of students' educational experience, however, must not be sacrificed in the search for cost efficiencies. Adequacy of funding remains an issue. Allocations to school boards within several areas of the new funding formula must be increased in order to maintain the quality system of elementary and secondary education in Ontario.

School boards must receive adequate funding allocations that are responsive to a variety of inflationary pressures. These include the following and, gentlemen and ladies, there are only a few: increases in the price of natural gas we see in the range of 30%; similar anticipated increases in the cost of hydroelectricity; fuel escalation clauses in boards' transportation contracts in the range of 3%; a 5% increase in the cost of textbooks over the last year; maintenance costs for technology in schools and board offices up by more than 20%; increased Canada pension premiums at double-digit rates over the past two years; increases in various health and dental benefits from 15% to 50%; and the necessity of fair wage increases for all our employee groups.

**Mrs Ervin:** Another area where funding increases are needed is special education. In 1999-2000, 21 Catholic boards found it necessary to spend more than the funding formula allocated for special education programs and services. Despite some increases for 2000-01, school boards report that funding remains inadequate to meet students' needs. OCSTA supports the creation of the minister's intensive support amount working group. We have written to Minister Ecker, stating our general endorsement for the working group's recent recommendations. In particular, we agree with the critical need for stability in special education funding; a formal process for clarification and refinement of ISA criteria; the need for the early release of information to school boards about funding allocations for special education; provisions to recognize boards' increased costs for delivering special education on an ongoing basis; a reduction in



the administrative burden facing school boards applying for ISA funds; the recommendation for assistance for boards without access to professional assessments required by the funding process.

OCSTA supports the need for an equitable, comprehensive ISA claim process and for accountability in spending. We are deeply concerned, however, with the possibility that, for some boards, future ISA allocations could fall below the level at which they are presently being funded. If this were to occur, positive adjustments to the special education allowance would be imperative. The ongoing level of special education funding must be adequate and sufficiently flexible to enable school boards to meet the needs of our students.

Students with special needs who enter or move between Ontario school boards, including new kindergarten students, place legitimate funding responsibilities on school boards. A year-long delay in a board's ability to qualify for ISA funding for high-needs students is critical for that board. Services must be provided for these students immediately, therefore funding for these services is necessary immediately. School boards must have access to an efficient in-year process to fund the programs and the administration of these programs for those students.

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**Mr O'Connor:** Allocations must also increase in the funding to support students who, because of a variety of socio-economic and cultural factors, require special assistance. Some of the most effective programs in this area address the educational needs of our young children. Research, including the Mustard-McCain report commissioned by the government in 1999, confirms the importance of early childhood education in determining a student's future success. Investment in early childhood education is a wise use of education dollars. Early childhood education is good for all children but particularly necessary for those already disadvantaged by their economic or social circumstances. Additional funds to strengthen this program are needed.

Therefore our association, OCSTA, strongly recommends that the education budgets for 2001-02 recognize and accommodate the inflationary and special-needs pressures on school boards.

**Mrs Ervin:** OCSTA appreciates the opportunity to present this brief to the standing committee on finance and economic affairs. We again wish to commend the government for its commitment to the implementation of a student-focused, equitable model of education funding. We believe that the success of a new model will depend heavily on how well the overall amount of funding for education in Ontario responds to cost increases and the changing needs of students, schools and school boards.

**The Chair:** Thank you very much. We have five minutes per caucus. I'll start with the official opposition.

**Mr Kwinter:** Thank you very much for your presentation. I'm sure you heard that the elementary school-teachers have settled their problems and they are now going back to a full workload, and in order to get that,

they've agreed that there'll be a reduction in the number of teachers. They then went on to say that this reduction is OK because it's going to be done by retirements and attrition.

I was disturbed by a comment about that, saying it may require teachers who are in special teaching situations like music and art and guidance to move into the teaching role in order to accommodate these reductions.

In your brief to us you say, "The quality of students' educational experience, however, must not be sacrificed in the search for cost-efficiencies." To me, this announcement today goes directly to that issue, that economies are going to be literally imposed on schools, but the loser is going to be the quality of education. Do you have a comment on that?

**Mrs Ervin:** The situation you're bringing forward is specific to the Toronto public board, and I really feel I shouldn't be commenting on their collective agreement. To my knowledge, that has not happened anywhere in our system, but I'm not familiar with the intricacies or the decisions that have been made around each collective agreement.

The fact remains that the Catholic boards have been so far behind for so many years that we have not had the luxury of having all these extra staff in our systems. Our teachers have been teaching, and the positions that did not require certified teachers did not have certified teachers in those positions. So I don't think you would find that kind of situation in our boards.

**Mr Kwinter:** You've also stated in your brief that all the boards, the four systems, are pretty well on a parity level. Aren't you going to find that the pressures that apply to the other boards are going to impinge on your particular board, now that they're on an equal basis?

**Mrs Ervin:** Regis may want to speak to that.

**Mr O'Connor:** If I can use the analogy of a thermometer, the public boards are up here and the Catholic boards are down here, and we're trying to get to an equitable level. We're not there yet; we're still a long way from it. You used the example of music programs, and there are other programs in the school that are in the same dilemma.

Teachers have tried over the years, no matter what panel they belong to, to achieve the same level of salaries. In order to get to that same level, some boards have had to make drastic cuts. We won't call them frills, because they're not frills, but things like special education and all the consulting services that go with them have been cut dramatically. Carol and Pat may want to add to that, because I don't have figures to give you today, but there are figures that back that argument up.

Obviously the teacher in the classroom hasn't changed. The government has PTRs. The grade 4 classroom is a grade 4 classroom, with an average of 22 to one. But all the services behind that teacher, whether they be in the board office or in the consulting area, have been cut. The administration has been cut dramatically. I think that was the original intent when the government brought

in this type of legislation, that we were going to cut the fat, if I can use that expression, out of it.

**Mr Christopherson:** Thank you for your presentation. One of the things I hope the government takes note of is that virtually across the board, whatever community we were in or whatever sector, we had representatives from all aspects. For instance, colleges and universities: in every community where the college made a presentation, they had representatives from the board of governors, the faculty, support staff, students were there; the same with the universities. In other words, their message was a common front, which can have a powerful impact because often those groups within systems have tensions that inevitably lead to a circumstance where it's difficult for them sometimes to reach a united front, and with different objectives and priorities.

One of the things we've been hearing from teachers right across the board is the lack of morale, that teachers are stressed, that teachers in record levels are off on long-term disability, that many are taking early retirement but are not retiring, just retiring out of the teaching profession and moving on elsewhere, to the point where anecdotally I hear of teachers who, when they're approached by nephews and nieces or their own children about whether they should go into the teaching profession as a career, are quietly advising them not to, that it's not the world it once was. They don't see any brighter light in the future so they're quietly saying to them, "I would suggest you look somewhere else. What I experienced is not what you would experience."

Is that your sense within your area of responsibility? Is this a problem that you recognize, this demoralization, the fact that teachers just feel like they've been kicked and kicked and put down and it's kicking the stuffing out of the stuff that makes good teachers do their thing?

**Mrs Ervin:** I can certainly start responding to that. The issue of teacher morale is very real in all our boards. Something needs to be done. The issue of teacher shortage is also very real. We are all looking down the road and seeing that in a few years, and even as close as this September, some of our boards will have a great deal of difficulty filling some teacher positions. Some boards have teams going across the country and are even communicating with countries overseas to try to get teachers, but we're all trying to rob each other. They are trying to do the same things. There is a critical teacher shortage in England and Australia and New Zealand and they are trying to get our teachers. Even in the States it's the same situation. So the two, I believe, are very real and probably connected in more ways than we think.

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**Mr Christopherson:** The similarity between teachers and nurses is striking in terms of the shortage, the demoralization, the fact that there is a whole lot of poaching going on, if you will. I know there are some provinces who are raising that alarm.

What should the government, which ultimately has the responsibility for dealing with these things, be doing? Or, by addressing all the things you're recommending, is that

the kind of message teachers want to hear, that their profession and their efforts matter and that this government does care about children, particularly the early years, and they're prepared to put their money where their mouth is? Is that the message they need in order to turn this around, or is there something else?

**Mr Patrick Slack:** I could quickly offer an answer, and I'm not sure it's an answer; it's a suggestion that there are probably two or three things that really have to happen. One is that, when I grew up, I respected the teacher quite sincerely and so did my parents. I don't think that respect is at the same level that it was. I think that has to come from me and from you and from others too. The government and the entire population has to respect the profession that offers the basis of our economy, the basis of our society. It's so essential that we return to that important work the due respect it should have. It should come from within the profession itself too. No one is excused from that. I do think, though, on the morale issue, that would be part of it.

The other is to allow time for professional teachers to do the professional job. You can't just count minutes of teaching the way we've done it recently. It's not a clocked job. Some kids need special care on a certain day. They need some love. They've lost a friend or they've had a family fight or a family breakup and it just isn't on the book.

**Mr Doug Galt (Northumberland):** Thank you for your thoughtful presentation. I'm just wondering how you would respond when you're into negotiations and get information that isn't exactly correct. I'll reflect what we were given by OSSTF last week. We were told by them that average spending in Ontario was \$4,992. They were comparing this with the Great Lakes states, saying we were \$3,550 below their average. In fact, after our researchers to the clerks of the Legislature checked this out, dividing almost two million students by almost \$15 billion being spent on education, the average being spent this year is \$7,503. We really don't know from that research what they put into the average education in the States, whether they included some of the health costs that we have that come from the Ministry of Health, whether some of the security would have been in there, but it's very misleading information, at least in my opinion. If you were given that by OSSTF, how would you handle it?

**Mr O'Connor:** I'll try. We don't deal with OSSTF. We deal with the Ontario English Catholic Teachers' Association.

**Mr Galt:** Well, I'll say one of the unions that you deal with.

**Mr O'Connor:** Right. The way negotiations are set up now, it's an adversarial type of game, if you wish. Tina will remember a few years ago we had six boards in this area on strike, and we went through literally hell for about six weeks over this very thing.

If you want to compare us to the Americans—

**Mr Galt:** Not me.



**Mr O'Connor:** —or whoever, that's fine, because we don't belong in that country; we don't play their games. If we want to talk about extracurricular activities, a lot of American states pay their teachers for extracurricular activities. We've gotten away from that, or we haven't gotten to that point yet.

As far as average cost per student, there are differences. We could have brought numbers here for what Catholic boards spend on students and what public boards spend on students, but we weren't going to do that because it would lead to an economic argument that may be embarrassing for some people. But yes, there are differences.

**Mrs Molinari:** Thank you for your presentation. I appreciate your taking the time to be here. Certainly I know full well that Catholic boards have been doing a lot more with a lot less for many, many years and now it's time to come back and to get equity, but equity is still not there because in getting those who have been spending high to move down, it's being sensitive to their taking the time to come down.

I wanted to just make a couple of comments. The teacher shortage is worldwide. Irene Atkinson from the Toronto District School Board as much as said that and recognized that. That's not just here in Ontario or just in the Catholic boards.

With respect to teacher morale, we all need to take responsibility for teacher morale. I think some of the unions haven't done too great a job at keeping that morale in the schools.

Special education, as you talked about in your presentation, is certainly an issue that is near and dear to me. There's a lot of work being done with the minister at this point in time, working with various groups to improve the funding for special education. It's an ongoing process of finding better ways to better serve the students. I'm hopeful that in time that will continue to improve. I don't think we'll ever have that perfect model, because there's no student who fits right into a perfect peg, but I'm hopeful that in the future we'll be able to continue to improve on that.

One of the comments in your presentation that struck me is that special-needs students who enter and move between Ontario schools are having a difficult time having that funding follow. That's something I'm going to look into because my understanding was that with the new model the funding would actually follow the student and it was a more clear way of having that money follow the student. If that's not happening, then we need to look at why and what we can do to improve on that. Certainly the paperwork and the extra burden of the administrative work that teachers and others have to do to fulfil that requirement for that funding is something that's also being looked at, because we want the teachers to spend more time with the students and not so much on administrative work.

Thank you very much once again for your presentation. It's helpful that you've also included last year's report with your presentation. Although I don't think you

had the opportunity to present to the committee last year, I know you did submit a written report, and it was certainly considered along with all of the others. So, thanks again for all the wonderful work you do and all the challenges that I know you face on a daily basis.

**The Chair:** On behalf of the committee, thank you for being here this morning.

## ONTARIO RESTAURANT HOTEL AND MOTEL ASSOCIATION

**The Chair:** The next presentation is from the Ontario Restaurant Hotel and Motel Association. I would ask the presenters to come forward and state your name or names for the record. On behalf of the committee, welcome, and you have 30 minutes for your presentation this morning.

**Mr Len Little:** Good morning. My name is Len Little. I'm the chair of the Ontario Restaurant Hotel and Motel Association. My colleague is with me today, Terry Mundell, who's the president of the association.

I would like to take this opportunity to discuss with you the importance of the hospitality industry to the Ontario economy, some of the challenges we have been facing and perhaps to suggest some remedies to those challenges.

The Ontario Restaurant Hotel and Motel Association is a non-profit industry association that represents the foodservice and accommodation industries in Ontario. The association was formed by a merger of two 75-year-old associations: the Ontario Hotel and Motel Association and the Ontario Restaurant Association. Dedicated to the growth of a thriving and competitive hospitality industry, the ORHMA provides a series of value-added benefits for its members. These include several cost-saving initiatives, group purchasing programs and educational services. The ORHMA's government relations department represents the industry's interests to the government of Ontario and to city halls across the province.

Ontario's hospitality industry is one of the most dynamic and significant sectors of the provincial economy, generating \$16.3 billion in annual sales or, put another way, 5% of the provincial GDP. With over 22,000 food-service establishments and almost 3,000 accommodation properties across the province, the hospitality industry directly produces over 400,000 jobs, representing 6.1% of total employment and 17% of youth employment.

However, contrary to the popular belief that the hospitality industry is booming, average profit margins remain a razor thin 2% to 5%. While the provincial economy grew by 6.1% in 1999, the hospitality industry continues to face uneven employment growth. For example, during 2000, employment grew by 3.6% in the food-service industry, but failed to grow in the accommodation sector. This pattern followed 1999's 2.2% rate of employment growth in the foodservice sector and an alarming 11.8% decline in the accommodation industry.

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These difficulties have been a result of rising input costs, declining tourism and continuing impediments to

investment. For example, while overall prices grew by 2.9% in Ontario during 2000, energy prices grew a staggering 16%. Indeed, we have heard from some operators that energy bills have increased by over 120%. The industry needs immediate relief, especially in northern and rural Ontario, where many of these effects are more pronounced.

Even with these rising costs, foodservice establishments have been forced to cut meal prices by an average of 1% to remain competitive, while accommodation properties have faced a 2.6% decline in province-wide occupancy rates. The result has been a less competitive hospitality industry globally speaking, weakening investment and limited employment gains.

Our submission focuses on a number of proposed tax initiatives that the provincial government can implement to assist in restoring stability and growth in Ontario's hospitality industry.

While the ORHMA would certainly support and encourage the government to consider a reduction in the overall provincial sales tax, today we bring forward some alternate recommendations that will have a positive impact for both our industry and for job creation and growth in the province of Ontario.

The first initiative the association would like to recommend is that the province eliminate the capital tax. Ontario's capital tax is a profit-insensitive tax that directly acts as a barrier to investment. It is important to note that many comparable jurisdictions are not instituting capital taxes, and others, such as the province of Alberta, have recognized the harmful effect of these taxes and have decided to abolish them completely.

Hospitality businesses require a tremendous amount of initial capital investment in order to establish an operation. Since capital taxes are a barrier to investment, it hurts Ontario's potential to attract investment dollars in multinational operations since many other jurisdictions across North America have a clear competitive advantage over Ontario because they do not have a capital tax. This has been especially pronounced in Ontario's accommodation sector, which has suffered 6,416 job losses, or over three jobs a day, since 1996.

The capital tax has also discouraged many important investments in small business enterprises throughout the province. The government has indeed recognized the harmful effects of the capital tax on small business in its decision to raise the capital tax exemption threshold from \$2 million to \$4 million. However, this does not go far enough. Eliminating the capital tax will result in increased prosperity and job creation across the province, while also raising the profile of Ontario in the international community as a destination to invest and do business.

The next initiative we would like to propose is that the government eliminate the corporate minimum tax. The ORHMA heartily supported the government's decision in the 2000 budget to reduce the small business tax rate from 8% to 4% and the general corporate tax rate from 15.5% to 8%. However, in addressing corporate taxes,

the government must consider the elimination of the corporate minimum tax.

Ontario is the only jurisdictions in Canada that has a corporate minimum tax. While there are some states in the United States with a similar tax, Ontario's corporate minimum tax acts as a direct disincentive to investment and is an irritant to businesses. Indeed, many companies which will not be required to pay the tax are still required to undertake the complex calculation that accompanies the corporate minimum tax. Furthermore, the corporate minimum tax currently raises little revenue for the government.

The hospitality industry struggles to attract investment dollars, and the corporate minimum tax sends a negative message to many domestic and international investors that are looking to invest in Ontario by placing an additional potential tax burden on business. Members of the ORHMA support the elimination of the corporate minimum tax and request that the government take action.

There are two initiatives relative to property tax reform that the ORHMA requests the government consider. The first initiative under property tax is the requirement of municipalities to reduce the overall commercial tax burden. Property tax levels in Ontario are currently, in our opinion, one of the largest impediments to new investment. In fact, hospitality operators have cited the incredible burden of property taxes as one of the primary reasons for closures. While it is recognized that the government has made efforts to modernize Ontario's antiquated property tax system, further reform is still required. We understand and commend the government for the difficult decisions it has made in dealing with property tax reform, but we believe some of the most difficult decisions still need to be made.

While caps and the accelerated reduction of the business education tax ratios for those municipalities over the provincial average have gone a long way in providing businesses with short-term stability, it is clear that long-term solutions are required.

Although property tax is a shared responsibility between the province and municipalities, it is becoming painfully clear that municipalities are just not up to the job. Election-sensitive municipal politicians are reluctant to shift any burden on to the residential tax base. In fact, to date only a handful of municipalities have taken steps to move their business tax ratios closer to the provincially set range of fairness.

As a result, we recommend that at the conclusion of 2001 if municipal governments have not taken considerable steps in moving their tax ratios toward the provincially set range of fairness, the provincial government immediately require municipalities to reduce commercial property tax ratios and further require all municipalities to be within the range of fairness in five years.

The next issue relative to property tax is the methodology used to assess accommodation properties. As already mentioned, members of the ORHMA are supportive of the government in their efforts to address the core deficiencies of Ontario's property tax system.



Ontario's accommodation industry, however, warrants immediate attention and action to rectify the damage that is being caused due to an incorrect and punitive assessment method.

Currently, as you can see from the graph on page 9, Ontario accommodation properties pay the highest amount of property tax on a per-establishment basis compared to the rest of the country. Further, Ontario's accommodation properties pay almost 80% more in property taxes than the national average.

Currently, the Assessment Act clearly states that the value of a property for property tax purposes is to be based on the value of the land plus buildings. The assessment for accommodation properties does not meet this standard.

In discussing the business value included in a hotel, assessors recognize that business value does exist. However, they do not adequately deduct that business value.

Assessors in Ontario have concluded that deduction of a management fee removes the entire business component. This is a mistaken assumption and has resulted in the assessment process of hotels becoming a de facto income tax. The more income the hotel earns, the higher the value, the more property tax it pays.

Members of the ORHMA request that the government amend the current assessment methodology being applied to accommodation properties for the purposes of property tax and change the methodology to ensure that the business enterprise value is fully deducted.

The next issue I would like to discuss is increasing the PST basic exemption threshold from \$4 to \$6 on restaurant meals. During previous pre-budget discussions, there was consensus from all stakeholders that increasing the \$4 PST threshold was a positive initiative for the province of Ontario to undertake, and yet the government has not moved on this issue. As such, we would like to take this opportunity to reiterate our position regarding this initiative.

Meals currently purchased from foodservice establishments under \$4 are not subject to provincial sales tax. This PST threshold of \$4 has not been increased since it was established in 1987 and has lost significant value in real terms due to inflation. As such, it now represents a barrier to growth in the foodservice industry.

This issue has widespread implications for our industry. Over the last decade, as food and operating costs have continued to rise, this threshold has remained fixed. As a result, there has been substantial erosion of margins, especially for mom-and-pop operations whose clientele are very sensitive to the threshold. It is not uncommon to see families purchasing meals separately to avoid the tax, and, further, small operators usually price their breakfast, dinner and children's specials below the \$4 limit to meet their customers demands. Unfortunately, the impact is diminishing profit margins, which obviously have a detrimental impact on the viability of a restaurant and the operator's ability to reinvest and grow their business. This has consequences in terms of sustaining existing employment levels as well as creating new jobs.

The ORHMA strongly recommends that the 14-year-old \$4 PST threshold be increased to \$6, where it would be if it increased with inflation.

The employer health tax threshold is the next issue I would like to raise. Profit-insensitive taxes such as the employer health tax have a disproportionate impact on labour-intensive workplaces such as foodservice and accommodation establishments. The ORHMA supported this government's initiative of eliminating the EHT on the first \$400,000 of payroll. The introduction of this initiative in the government's 1996 budget has assisted the foodservice industry in the creation of over 93,000 new jobs. We believe that now is an appropriate time for the government to move beyond the original exemption limit of the first \$400,000 of payroll and raise the exemption limit to the first \$600,000 of payroll. This tax relief measure will directly assist Ontario's many small businesses to create new jobs. In fact, in Ontario's hospitality industry, the vast majority of foodservice and accommodation operators are small businesses. These establishments, which traditionally have profit margins of 2% to 5%, would directly benefit from such a reform.

Increasing the EHT exemption threshold for businesses to the first \$600,000 of payroll will make it consistent with the government's annual paperwork threshold for EHT and will help to keep Ontario competitive. Our closest neighbours to the west, Manitoba, have a higher EHT threshold exemption: the first \$1 million of payroll.

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The final issue we wish to bring to your attention today is an issue we have discussed in pre-budget discussions before, and that is the gallonage fee. Jurisdictions outside Ontario are now leading the way in recognizing the importance of reducing gallonage fees. The province of Nova Scotia announced last year that their gallonage fee will be chopped in half, and the red tape reduction committee in New Brunswick recommended that their gallonage fee be eliminated.

One of the main constraints to the hospitality industry is the high level of taxation. More than any other tax, the gallonage fee currently applied on beer, spirits and wine bought by licensed establishments appears unjustified, as it supports taxation on top of taxation. Currently, licensees in Ontario pay two separate and distinct licensing fees. One licensing fee is a fixed annual licence fee, and the other is a variable volume or price-based fee—the gallonage fee—applied to licensee purchases of beer, wine and spirits. According to the Liquor Licence Act, applicants for a liquor licence are required to pay application fees of between \$685 and \$815, pay a fee of \$240 upon the issuance of the liquor licence and pay a renewal fee of \$300. In addition to these licensing fees, licensees are further required to pay an additional licensing fee known as the gallonage fee, which is (a) \$2.64 per hectolitre of beer and (b) an amount equal to 12% of the purchase price of wine and spirits.

This results in two fees for every licensed establishment. After being charged these two fees, licensees are

required to charge an additional tax—10% PST—on the sale of alcohol to their customers. It has long been the view of the ORHMA that the gallage fee paid by licensees supports a situation whereby taxes are being charged on top of taxes and, hence, needs to be eliminated.

In conclusion, I would like to remind the government that the hospitality industry in Ontario is a dynamic and important part of the economy; however, it has not yet returned to operating at pre-recession levels. We believe these initiatives, if adopted, will assist the industry to grow and will help the government in its job-creation mandate. Further, while the government has taken some important steps to increase tourism, more must be done.

Thank you for your time today. We would be happy to answer any questions you have.

**The Vice-Chair (Mr Doug Galt):** Thank you very much for your presentation; it's much appreciated. You've got me doing some new thinking when you talk about liquor and gallage; I never thought of it quite in that size before. We have about four minutes per caucus, starting with Mr Christopherson.

**Mr Christopherson:** Let me say I'm surprised at that, because most people who watch you drinking think in terms of gallage. I am joking, of course, when I say that. I want to make sure that's on the record.

Thank you for your presentation. You will probably know there are a number of scenarios that suggest the changing economy under us is not going to be good for anyone. There's a train of thought that suggests that continuing with the tax cuts that are planned, or any others, is going to have a dampening effect on the government's ability to sustain expenditures. As we see from this morning, there are even going to have to be cutbacks to offset the lack of revenue.

What I want to pose to you is, how do you see this benefiting you, at least in the short to medium term, when the scenario goes like this? If they continue with the tax cuts, they don't have enough money coming in to maintain a balanced budget, and the only way you can do that if you're cutting your revenue at a time the economy is dampening is to cut spending. We see from the news clips today that's exactly the direction the government is going; they're going to be cutting.

If they start cutting, based on the presentations we've had over the last two weeks, what we're going to see is a huge impact on municipalities. They are already struggling. We know what's happening here in Toronto. I pointed out the 15% increase in water and sewer rates in my home town of Hamilton to deal with infrastructure problems because the fiscal pressure is so great on them, in large part because of the downloading, that they're having to increase costs, and property tax has been pointed to by virtually every business group as a key component. So you've got upward pressure on a key indicator that affects your industry and every other business, and this is going to be exacerbated by pushing for more tax cuts.

In addition, universities have come forward and said, "If we're going to continue the kind of value-added

economy we've had in the past, we've got to make significant investment in universities." It's not just the universities saying it; it's the business side. The TD Bank was in here making that post-secondary education pitch. So on the university side there is the whole ability to keep the momentum going in terms of the economic drivers, and the same pressure on the college side. I don't need to tell you that a lot of the people who work in your management positions graduate from community colleges, so it's going to have an impact on you there. We had a roads presentation this morning. We know the road infrastructure, which obviously is key to the hospitality industry, is feeling incredible constraints.

All these things require an infusion of money, which is the opposite direction the government has to go in, because it looks like they're going to continue with their tax cuts. I'm not trying to play some little game and trap you into a box, as unfortunately I think the chair of AMO thought yesterday. I'm merely trying to pose to you a set of economic circumstances that say to me it's really not in your best short-, medium- or long-term interest, regardless of whether we agree philosophically about tax cuts, to be advocating tax cuts at this time. Your thoughts, please.

**Mr Little:** I'll speak a little bit, and then Terry maybe can add to it. First of all, I think tax cuts give people more disposable income and then they have more income to spend in our restaurants and hotels. The industry is already at a competitive disadvantage, particularly—and unrelated to the provincial government—with the GST issue and the fact it's being charged in restaurants and not being charged in a lot of the takeout and Loblaws type of situations. I think the tax cuts create more income for us. Do you want to add to it?

**Mr Terry Mundell:** Just to that point, you talked about infusion of money, Mr Christopherson, and we talked specifically about the capital tax. We, in our industry, are now competing with multinational jurisdictions in terms of getting capital dollars invested in Ontario to build new hotel accommodation stock and reinvest in the hotel accommodation stock we have. Presently, the capital tax is clearly a barrier to our investment opportunities. We're seeing those monies go to other jurisdictions in the United States when you're competing on an international basis.

Having said that, that doesn't allow us the opportunity to reinvest in our businesses, it doesn't allow us the opportunity to expand our businesses, it doesn't allow us the opportunity to generate revenues in the tourism and hospitality industry, which is so important to us. So that is a significant barrier for us in terms of infusion of capital.

**The Vice-Chair:** We move on to the government side. Mr Arnott.

**Mr Ted Arnott (Waterloo-Wellington):** Thank you very much for your presentation. You've done a very good job of representing the views of your members to this committee in previous years, and this year is



obviously no exception in terms of the constructive suggestions you put forward for our consideration.

I want to go on the record as saying I support your suggestion that the employer health tax threshold should go from \$400,000 of payroll to \$600,000 of payroll. I think that would be a significant incentive for employers to hire. We have seen in the past that these profit-insensitive taxes—and you also talked about the capital tax—have been ones that have discouraged job creation. This is something we need to be looking toward in the year ahead. Thank you for making that recommendation.

I want to ask you about the property tax point you made. You suggested that very few municipalities are moving toward the range of fairness that the government has encouraged. It's been my understanding that they're required to move toward that range of fairness, and you've suggest that very few have done that. Could you elaborate to some degree on that? My understanding is that they are required to move toward it. Am I incorrect?

**Mr Mundell:** Essentially, municipalities are required not to move away from the bands of fairness but they're not required, in any way, shape or form, to move those taxation levels back toward the bands. They can't move away from them. So if they are doing any shifting, they have to shift toward the bands, but they're not required to actually get there in a specific period of time. So you could stay outside the bands of fairness from now until eternity.

We know the government has made significant efforts on the education levy side of the equation. That has helped and will continue to help. We continue to believe that municipal governments need some pressure applied to them so they do in fact and are required to move to those ranges of fairness in a reasonable time frame.

1220

**Mr Arnott:** Would it help if the government published a list of those that are doing well in that respect and those that perhaps need to work a little harder?

**Mr Mundell:** I don't particularly think a list or disclosure would force a municipal government to change its tax policy. The lists have been published before. As you're well aware, I was in municipal government for some time. We've seen the lists before. Quite frankly, they are decisions that are made by individual municipalities on their own property tax system. We don't believe that would force them to get there; it hasn't to date. We believe stronger measures are needed.

**The Vice-Chair:** Very quickly.

**Mrs Molinari:** I have just one question about elimination of the capital tax. We've been hearing that quite consistently in the presentations. Do you have any idea how much it would cost the provincial treasury?

**Mr Mundell:** Elimination of the capital tax, to the best of my knowledge, is about \$1.5 billion for the provincial treasury. It is a significant amount of money. It's also my understanding that there is an input credit which the federal government would receive, about a \$350,000 to \$400,000 windfall, I think. But again, to the effect it has on our industry, without eliminating or

putting forward a concrete plan to eliminate the capital tax, we are losing head offices. We're losing head offices to other competing jurisdictions, not only in Canada but in the United States. By losing those offices, we lose the spinoff. We lose the spinoff meals, we lose the spinoff business travel, we lose a lot of those benefits in Ontario. It affects our ability to generate revenue, which affects your ability to generate revenue.

**Mrs Molinari:** So is it safe to say that tax cuts create a better economy?

**Mr Mundell:** In our industry, tax cuts, clearly, and disposable income correlate to jobs and investment.

**The Vice-Chair:** I'm going to have to move on to the official opposition.

**Mr Kwinter:** I certainly support the employee health tax increase to \$600,000. I think that makes sense.

I have a little concern about the competitive pressures on, certainly, the accommodation part of your industry. I understand when you talk about the spinoffs because of the investment of others, not the hospitality unit but other businesses. But from a hospitality point of view, it isn't like any other business. You can't say, "We're in a competitive situation and we can put this hotel in Sault Ste Marie at a much cheaper price than we can in Toronto, so that's where we're going to put it." The investment is made on the market, not necessarily on the cost, and if the market can sustain the cost, regardless of what it is.

This committee has been travelling. We've been staying at accommodations in one place where they charged us \$70. The next place charged \$130 and the next place charged \$90, all for the same kind of accommodation—

*Interjection.*

**Mr Kwinter:**—well, not quite. Certainly I would say two of the accommodations were comparable, with quite a discrepancy in the price. What determines the price is the market and the competitive situation, not so much who is out there but where you can get the business you're going to get. People make that decision, and they base that on that decision.

I'm quite interested to hear you say the accommodation industry in tourism has dropped. It was my impression that tourism was increasing in Ontario. Is that not the case? I'd like to hear about that.

**Mr Mundell:** In fact, Ontario experienced about a 1% decline overall in international tourism during the first half of 2000; however, foreign visits increased by about 1.5% nationally. Having said that, we think the government has made some significant efforts to increase tourism in Ontario through the Ontario Tourism Marketing Partnership. We very much support that initiative. We tend to believe that significantly more needs to be done. The government needs to continue to invest in tourism; it's extremely important.

We look across Ontario, and you talk about market impacts and how decisions are made based on market impacts. In fact, that is correct and partially correct. Investments are made on return on investment and what the bottom line looks like for those properties in each individual marketplace. There are varying input costs

across Ontario, for sure, but we continue to find significant barriers to accessing capital. The return on investment is not where it should be because of the high input costs of property tax and capital tax, two significant barriers to return on investment, two significant barriers to getting extra capital to reinvest in our business. That's anywhere from the some 1,100 properties that are under 30 rooms to the over 800 or 900 properties that are over 30 rooms. It's the same type of issue for them: it's the return on investment. It's going to the bank to access that capital to reinvest in your business.

**Mr Kwinter:** For example, there's a hotel built in Toronto, half a block from here, where they've invested millions and millions of dollars. I assume they have made the business case that they can get a return on that investment. You can't put that particular investment virtually anywhere else in Canada and get that kind of return. I understand for a small operator it's a very serious problem. Maybe there should be a sliding scale where, because of the infrastructure support and everything else that goes with it, there has to be some payback for the government that's providing that. For someone who has a small mom-and-pop operation, where that isn't the case and they're still subject to the same tax regime, maybe there should be some adjustment.

I have some difficulty in an industry that is so very site-specific as to whether they survive or not. If they're not in the right location, it doesn't quite matter what tax incentives, they're not going to make it. I don't know how you address that.

**The Chair:** On behalf of the committee, thank you very much for your presentation. Our time has run out. We appreciate the content and input.

#### ONTARIO PUBLIC SERVICE EMPLOYEES UNION

**The Chair:** Our next delegation is the Ontario Public Service Employees Union, if that delegation would like to come forward. Thank you very much for appearing before our committee.

**Ms Leah Casselman:** I wouldn't have missed the opportunity.

**The Chair:** We can give you a second to take your coat off.

**Ms Casselman:** Sure. I'll even roll up my sleeves.

**The Chair:** You have a half-hour for your presentation. Whatever is left over from your presentation will be split up evenly among the three parties to ask questions or make comments.

Please state your names to begin with for the record.

**Ms Casselman:** My name is Leah Casselman. I'm the president of the Ontario Public Service Employees Union. With me is Jordan Berger, the director of research for OPSEU. Thank you for the opportunity to address these hearings. It's nice to see all these folks are still around and still doing their jobs.

OPSEU represents 100,000 public sector workers in Ontario, including the vast majority of workers directly employed by the Ontario government.

Obviously the fiscal decisions of the provincial government have a direct effect on our members and on the services we provide to the public. As a result, we look with anticipation and some considerable concern to this upcoming budget. Given the slowdown that is already having an effect in Ontario, we urge the government to change their own approach to fiscal policy.

This year more than ever the government faces a fundamental choice: either to continue hollowing out public services through tax cuts or to take courageous action now to preserve public services.

The Premier's announcement yesterday that he intends to cut public spending even further does not bode well for the future. It could also undermine the province's economic prospects for years to come. As a general observation, when economic times are good, ruling parties point with great pride to their own policies as the cause of all prosperity. However, when the economy takes a turn for the worse, ruling parties throw up their hands and portray themselves as victims of global economic trends.

1230

For the last six years, the Harris government has peddled the line that provincial tax cuts create economic growth. While the tax cut pledge is central to the Common Sense Revolution, there is little evidence to suggest that it has attracted much public attention or support. Few Ontarians have noticed the tax cuts and fewer still see tax cuts as a higher priority than good jobs and good public services.

This is a mystery that requires some exploration. It is our opinion, and has been our opinion for some time, that the tax cut strategy is an ideological one, not a political one. The ruling Conservatives had the great fortune to be elected during a period of unprecedented economic growth driven by the US economy, a low dollar and low interest rates.

Six years ago, the Harris Conservatives realized that the public anger that sustained their agenda of public service cuts, scapegoating and tax giveaways would decline as the North American economy recovered from recession. The only way to counter public pressure for reinvestment in services was the tax cut agenda. Tax cuts would allow the Conservatives to maintain high deficits—the government has added about \$80 billion to the provincial debt since 1995; not bad for a guy who wants to get his fiscal house in order—and then they plead poverty.

We must admit they have been quite successful in this approach, though. Only recently, with growing public concern with the state of the environment and our health care system, has the government been forced to promise reinvestment in public services.

This approach to public services—to slash them and deny the consequences until a crisis forces action—will not be sustainable in the near future, either socially or



economically. While the social consequences of health care underfunding and environmental neglect are painfully clear, the economic consequences are largely ignored by this government.

Ironically, in the promotional material that Ontario uses to attract foreign investment to the province, the government actually recognizes and stresses the economic importance of well-funded public services. These documents state, for example, "US manufacturers pay, on average, more than \$3,100 per employee"—I guess that would be US\$3,100, so it's probably about C\$5,000—"for the kind of health care coverage provided by Canada's publicly supported system."

Clearly, safe communities, clean water, an efficient, affordable health care system and good infrastructure are some of the factors that attract talent and capital from outside our borders. The quality of life we all enjoy is a major determinant of economic growth, and yet here at home this simple truth is always denied. Here in Ontario the government does not discuss the economic benefits of public services. Instead, citizens are encouraged to look entirely to the private sector for economic growth and to look critically at their public services, as if the two can be separated. Well, they can't.

The recent tragedy in Walkerton, Ontario, produced a huge amount of negative publicity for the government and, unfortunately, for our province. It is not only the citizens of Ontario who wonder if their tap water is safe; it surely must be a major concern as well for anyone considering a move to Ontario, be they investors, nurses, doctors or engineers.

Here are some recent developments that speak to the problems we face in maintaining our quality of life.

First, there is labour law reform. Despite the clear link between quality of life and economic success, the government has seen fit to further undermine the Employment Standards Act. How can we claim that Ontario is the best jurisdiction in North America in which to live, work, and raise a family when workers are forced to put in 60-hour weeks without overtime? We thank the government, and this will be the only time I'll do this—that got their heads up—for providing unorganized workers with such a powerful incentive to unionize, but we question whether the obsession with 19th-century labour standards will really help us build a 21st-century economy.

Last November, the Provincial Auditor issued a damning report which emphasized some of the consequences of Tory policies: staff cuts in the Ministry of the Environment led to a 34% reduction in environmental inspections; downloading and privatization have reduced governmental accountability as services have been moved beyond the scope of the Freedom of Information and Protection of Privacy Act; as a result of ill-considered downloading, the estimated cost involved in returning ambulance emergency response times to 1996 levels has grown to \$100 million; Andersen Consulting, one of your favourite groups to send money to, continues to be paid three times the ministry rate for analysts and

six times the rate for consulting—you folks have money to burn; the problem is, it's the public's money—the government's megajail strategy is being implemented without even a basic business plan.

On that last point, OPSEU has learned that there is no Canadian company that even qualifies to run the new 1,200-bed maximum security institution in Penetanguishene, the first private prison in Canada. What a claim to fame for you folks. Allowing profits to be shipped offshore to American and British prison conglomerates doesn't do much for Ontario's economy.

Of course, prisoners are not the only ones who suffer in the new tough-love Ontario. The employers represented by the Ontario Association of Children's Aid Societies have recently released a report on CAS workloads. This report supports our long-standing argument that services for the most vulnerable children in our province cannot be sustained without additional resources, and I don't mean just reannouncing money you've announced before. Our research shows that the current funding formula in this sector gives our members four to six hours of care per child. However, we know the bare minimum we need is nine to 11 hours per child.

And of course, despite unprecedented spending levels, the state of our health care system remains precarious. OPSEU, among others, has already pointed out to the government that their hospital cuts were premature and ill advised. The staffing shortages caused by these cuts will take years to overcome.

This Tuesday past, 20 of the 23 hospitals in the greater Toronto area were redirecting ambulances away from their doors. The state of Toronto's hospitals is only one indication of the problem facing our urban areas. While American states pour money into their cities, realizing that healthy cities are key to economic prosperity, this government is forcing Ontario cities to make major service cuts on the cusp of a severe economic downturn.

In the field of education, a public service that is critically important to the knowledge economy, the government continues to lag behind almost every other jurisdiction in North America.

The Ontario Alternative Budget Working Group points out that overall capital spending on basic infrastructure, such as roads, schools, colleges and clinics, has been cut in half. Our investment in our collective future has dropped from 1.2% of gross domestic product in 1995 to less than 0.5% in 2000.

The real tragedy of six years of Tory service cuts, privatization and underinvestment is that overall government spending has actually increased. It's amazing. I can guess where it's gone but it sure hasn't gone into services for people. Despite deep cuts to public sector employment, despite closed hospitals and children crowded into portables, overall spending has increased. It's quite incredible. What have we gained as a society from this redirected spending? We know the government spent \$3 billion to \$4 billion they didn't plan on their botched hospital restructuring. And we don't know what the final bill for Ontario Hydro's restructuring will be.

It's time that public funds were used to improve our real competitive advantage, our quality of life, not just to fix the problems this government has caused. We believe that quality-of-life issues will become more and more prominent in Ontario in the coming years. This is especially true as we move to a high-skill, high-wage economy.

These fabricated crises in public services affect the quality of life we enjoy in Ontario and, in turn, this undermines our economic future. It's time for real leadership. Past mistakes cannot be explained away with yet another round of tax cuts.

**1240**

Like the rest of the world, Ontario will be affected by the current downturn in the American economy. That much is certain. However, it is not at all certain that the current provincial government will take the necessary steps to protect public services from this downturn.

There's an old piece of advice that I must share with the government members of the committee: beware the man who marries his generation; he may become a widow in the next. I could explain that to you after, if you like.

In 1995, the Conservatives brilliantly captured the angry mood of the public. In 1999, the Conservatives were re-elected on the basis of the economic growth that they were fortunate enough to ride.

The coming years may well be quite different from the last six, and I urge the government to rethink its strategy accordingly. So far, Ontario has simply not been competitive in the vision department.

Thank you very much. I'll be pleased to answer any questions.

**The Chair:** Thank you. We have approximately five minutes per caucus. I'll start with the government side.

**Mr Galt:** Thank you very much for your presentation. As I read through it, I guess you're kind of undecided how you would vote in the next provincial election. Sorry.

**Ms Caselman:** I've never been undecided when I get to a ballot box.

**Mr Galt:** Just looking at it, it's obvious we haven't done anything right, from what I'm hearing from you.

We have invested tremendously in health care, for example. The year before we took office, health care spending was at \$17.4 billion. The first year we were in, it was \$17.6 billion, and now we're well over \$22 billion. That was our commitment in 1999. We've increased in education. We have looked at trying to improve efficiencies of the government in many, many different areas. You may not necessarily agree with the direction we've taken. I detected that from your presentation. But when I first started here in 1995 I had no problem driving into Toronto. There was no such thing as gridlock. We now have net in Ontario 844,000 new jobs out there, goods being delivered to people who have those extra jobs—quite a change in Ontario. When I went to the shopping malls in my area, I could park pretty close to the stores. Now I have to park out on the far edge of

those parking lots. You may reflect that that's all connected with the American good times.

But I sit back and look, why in BC did they come along in the early 1990s, and now, starting in the mid-1990s to late 1990s, they started to crash? You may say, "The Asian flu." No, that happened ahead of the Asian flu. Why did we sit where we were, losing some 20,000 net jobs up until 1995, and then all of a sudden in 1996 things started to go ahead?

The previous delegation that was here, representing the restaurant association, indicated the advantage for them to get on and get more customers coming in so as to have that extra disposable income. There are just so many things that have happened right in the last almost six years. Yes, I hear what you're saying, and yes, there have been some people laid off in the public service. But I believe in what our government has been doing. Ontario has gone ahead a long way during that period of time.

**Ms Caselman:** And your question was, what do I think of all that?

**Mr Galt:** I'm just making a statement.

**Ms Caselman:** In response to your statement, I have a question back. You commissioned the health care restructuring commission to look at health care in Ontario. One of the strident recommendations of the head of that commission was that you have to invest in community health care, you have to invest in home care. You've never done that. You have nurses who are paid much less than hospital nurses. First of all, you call nurses Hula Hoops and they leave the province. You've closed the facility that trains technicians who provide cancer treatment.

The former Minister of Health—which I never thought I'd call her—commissioned a study on how you properly fund home care. That study apparently calls for parity for those nurses in the home care system. I guess what you haven't grasped yet is that home care is provided under many roofs in this province. My understanding was that you wanted to close hospitals because you thought that you could get away with it with the private sector. But health care is provided under many roofs, and yet you haven't funded the rest of the system. So now you're having big problems because people are moving back into the hospitals because they can't get the services in the communities.

I drive into Toronto every day. What I'm more interested in are the potholes. You contracted out the services on the highways. But when you contracted out to those private companies, which were probably run by most of the friends of the Tory party, the contract you left with them is that they will fill potholes this big. But if the pothole is this big, then they get to charge you for everything—the drivers, the car, the equipment, the tar. So guess what? They don't fill the potholes when they're this big; they wait till they're this big. They charge Ontario citizens, through the government, an arm and a leg to get those things done.

So, yes, I do disagree with you. I completely disagree with you. I was talking to a young woman the other day.



She said, "My husband and I don't have kids. We're sick and tired of paying taxes for education. What do you think of that?" I was actually in my dentist's chair at the time, so I took her hands out of my mouth and I said, "Well, I guess that depends on whether or not you want stupid people looking after you when you're old."

**The Chair:** With that, I'll move on to the opposition.

**Mr Kwinter:** Before I get into the substantive thing I want to talk to you about, I just want to make a couple of observations on your presentation. You say the tax-cut strategy is an ideological one and not a political one. That's the same thing. It is an ideological thing and not an economic thing. We've had many experts tell us, "Sure, tax cuts are great, but they really haven't had a great impact on what's happening in the economy. There are other, outside forces that have done that. We have been the beneficiary of what's happening in the United States." Just as a suggestion.

The other thing, of course, that really sticks out is when you say the government has added about \$80 billion to the provincial debt since 1995. The total provincial debt right now is only \$114 billion, and about \$100 billion of that was already in place when the government came into office. So the increase has certainly not been \$80 billion. I don't know where that number came from, but that number just doesn't make any sense. They say the total debt of the province of Ontario is about \$114 billion, so we can't have an increase of \$80 billion in five years when I know that when the NDP left, it was in the \$100-billion range. I can't remember the exact numbers. I'm just pointing that out.

What I'd really like to talk about is the announcement that was made by the Premier yesterday that he is planning to cut some more public service jobs. I want to tie that in with the situation you've raised, and I think it's a very valid one. When Mike Harris was campaigning in 1994, he said in Windsor that he was going to cut out the casinos because "We don't have a revenue problem; we have an expenditure problem." We had someone appear before us the other day and say exactly the same thing, that we don't have a revenue problem; we have an expenditure problem. Yet this government has taken the expenditures of the province of Ontario to the highest levels ever. Just to sustain that is going to be very difficult if there is, and there undoubtedly is, going to be an economic downturn. The only question is, how much?

My question to you is, what do you see as the impact of the Premier's announcement yesterday that he's going to continue with his tax cuts, he is going to ask all ministers to take a look at their programs? There will be no expansion in programming, but he's also going to cut the public service employees. What do you see as the scenario spinning out from that?

**Ms Casselman:** I think his comment was more that he's going to cut the bureaucracy. I know these folks won't want to hear it over here, because they'll never aspire to it, but I think he could probably get rid of all the ministers and the deputy ministers, since all the decisions

are made in the Premier's office anyway. That would save us a lot of money.

You could cut the Premier's 35-person squad of OPP officers that ferret him around the province. You could certainly, in a very serious vein, cut the consultants. Look at the millions of dollars they're pouring into Andersen. They're just making money hand over fist.

I think Baird was embarrassed to actually have to admit that the welfare rolls went up, even though they were berating and beating those people down all the time.

**1250**

They're not interested in having a public service that provides public service, as we know. The main question back to the Premier, since he has told the ministers that if they want to increase spending in their areas, is, what in the Ministry of the Environment are you going to cut to hire back the people you know you shouldn't have cut before because seven people are dead? That's the question he has to answer. When is he going to learn that as a government he has a responsibility to ensure that the people of the province should be able to rely on public services.

Quite frankly, having public services available in communities, particularly in northern Ontario, provides an economic base which will attract industry to that community, because by having government jobs in those communities you will have dentists relocate there, you will have doctors relocate there, you will have people recognizing that there is a base that they can build on, and then you will have industry arrive as well. He's not interested in ensuring that the economy outside of the private sector economy is something that he wants to invest in in Ontario. I think we're seeing now with the US economy and the Auto Pact—whoever thought the Auto Pact would disappear?—all those kinds of things. Our society and our communities are going to be based on whatever happens on Bay Street or Wall Street.

**Mr Christopherson:** Thank you, Leah and Jordan, for your presentation. I also want to thank you, as I did the OFL president, for raising the issue of the Employment Standards Act, the refusal of the government to increase the minimum wage, and they have now introduced a push to go to a 60-hour workweek. We had no public hearings on it, and I think it's interesting that the only folks who have raised this so far are people who quite frankly aren't impacted by it because their members really don't rely on the Employment Standards Act; they rely on their collective agreements. I think it says a lot about the labour movement that they're here fighting for those vulnerable workers, in many cases, in the absence of the government doing it. So thank you for at least raising that.

I also want to pick up on where the government seems to be heading. We know, based on scenarios given to us yesterday, that this push to continue with the tax cuts is clearly going to put the government in a deficit position, deeper probably than we're already being told. I suspect there are revisions happening daily in the ministry. His answer to that, rather than back off the tax cuts and attempt to keep revenue up to keep us in a balanced-

budget position, is now going to be to cut spending yet again. He's quoted as saying in the paper this morning, "If there is any increase in spending or any new programs, we expect those to be offset with savings in other areas."

We've had groups for two weeks straight who have come in here and pointed out key areas of our society and our economy that need more money and that tax cuts are not the answer for their getting the funding. Environment is an obvious one, and you raised that in your presentation; elementary schools, the secondary schools, colleges and universities. I have Mohawk College and McMaster University in my riding in Hamilton. Emergency rooms are still overcrowded, and Hamilton is facing just as big a crisis as every other community. We had the strikes in CCAC and VON in Hamilton as a result of lack of funding, and this is on the community care side of things, an announcement that the city council has to look at a 15% increase in sewer and water rates on the property tax because of the fiscal pressures of down-loading on them, and now the government says that for every dime of pressure—this is what I'm going to read into this—that they're going to have to spend, you have to offset it with a cut somewhere else if you're the minister.

Given all these pressures, what I'd like you to articulate for us is a sense of, for instance in Hamilton, what the average family can expect if we start to get into hundreds of millions or even billions of dollars of further cuts. What's that going to do to the quality of life of the constituents in my riding in Hamilton?

**Ms Casselman:** First of all, there will be constituents in your riding who will be unemployed, and then looking for the 60-hour-a-week jobs with probably close to if not less than the minimum wage. There certainly will be more people in jail, so there will be more pressures on the Hamilton-Wentworth Detention Centre, those kinds of things, more things happening there. You'll probably see more Plastimets, more environmental hazards. If they're going to try to cover up their problems with Walkerton, I guess air quality will be cut while they're looking after water, because they don't think they have to look after it all. There won't be those inspectors to ensure that those places aren't there waiting to explode.

They talk about investing in the province, and then you look at what they're doing to education. Their idea of investing in post-secondary education is to give them money to build things. But ordinary people can't afford to send their kids any more, and the \$200 isn't even going to buy them books, quite frankly. It really does come down to what kind of system you want.

In Hamilton, the hospital restructuring, yes, they're going to create a big monolith there, but as we're seeing with other situations, if it gets too big you can't run it. I didn't realize the answer was so simple on cancer treatment, because they've been decrying the fact that they're having to send people to the States, and here all they had to do was hire the people who are trained technicians and give them overtime and they could run

the equipment at night, just like the private company is, established by the board of directors from Cancer Care Ontario. All the government had to do, until you reopen the college to train technicians so that you have them available in different locations to offer cancer treatment, was say to those folks who were working the dayshift, "Do you want to work some overtime?" and we would have that continued in the public system. It wouldn't be a matter of, "You only make \$25,000 or \$30,000 a year, and you have cancer? Get out of the way. I've got my platinum card here. I'm going in at night, and I'm getting mine done. You wait the seven, eight months," or the 14 weeks or whatever the backlog is now. If you don't have the money, you don't get the service. That's where we're headed, and you'll see more and more of that in every community across the province.

**The Chair:** With that, I have to bring the discussion to an end. On behalf of the committee, thank you very much for your presentation this morning.

This committee will recess until 2 o'clock this afternoon.

*The committee recessed from 1256 to 1358.*

#### ONTARIO CAMPAIGN 2000

**The Chair:** Good afternoon, everyone. We'll bring the committee back to order. Our first presentation this afternoon is from Campaign 2000. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome.

**Mr Pedro Barata:** My name is Pedro Barata. I'm with Campaign 2000. With me are Lynne Russell and Casey Ready. I too would like to thank you for the opportunity to address the committee today.

Campaign 2000 is a national coalition of over 90 organizations that work toward the implementation of the 1989 House of Commons resolution to eliminate child poverty in Canada. In Ontario we have close to 40 organizations that are diverse and represent professional groups, community organizations, individuals and inter-faith groups. For our presentation today I will begin, then I will pass the microphone to the other people who are here with me, and I will conclude with some recommendations and, hopefully, we'll have a chance to exchange some questions and answers.

The next provincial budget will be another opportunity to make choices and set priorities for the future of Ontario. In last year's budget, the government allocated \$2.5 billion in tax cuts, with \$1 billion benefiting the highest-income 10% of Ontarians. This one-sided approach to tax reductions is unlikely to make much of a difference for low-income families and their children. In the face of an impending economic slowdown, we urge the Ontario government to commit to an investment strategy that will establish a comprehensive social infrastructure for children and families in this province.

Governments can play a vital role in preventing social exclusion by providing families with the security and stability they need. Much research, including the Early



Years Study commissioned by the Ontario government, has shown that a healthy start in life has a long-term impact on the well-being of children and, really, society as a whole. We know that children who live in poverty encounter more hurdles to healthy development and are at elevated risks for a wide range of negative outcomes to their health and well-being. The ability of children to progress through each stage of development depends upon the range of resources that are provided by their families, their communities and society as a whole.

An environment that nurtures inclusiveness requires the supply of good jobs that adequately support families. Families and children also have a right to income security, early childhood development services and child care, affordable, secure housing and accessible post-secondary education.

This past November we released a report card on child poverty in Ontario that shows that despite this period of growing prosperity, child poverty remains at near-recession levels. We found that even while the economy was running on all cylinders, almost one in five children remains poor. We also found there was a whopping 90% increase in the number of poor children in this province since the beginning of the decade. To keep that in perspective, that compares with a mere 28% increase in the rest of the country. While the child poverty rate in Ontario has declined 1.8% since the present government has come to power, the reality is that this decline ranks a mere sixth out of the 10 provinces in Canada. I refer to page 3 in the brief that we submitted to you. The chart in the middle compares the different declines across the country. Ontario's growing wealth is not creating opportunities for everyone. Since 1996, Ontario and Newfoundland were the only two provinces where low-income families fell deeper below the poverty line and, on average right now, low-income families live \$9,900 below the poverty line.

The point we really want to get across to this committee today is that we know government investments can make a difference for children and families. A recent UNICEF report ranked Canada 17th out of 23 OECD nations in terms of addressing child poverty. UNICEF concluded that the difference between how different countries perform in terms of addressing child poverty is related to how each sets priorities. Most of the nations that fare better than Canada mitigate the negative impacts of unemployment, low wages and lone parenthood through substantial investments in comprehensive family policies, which include things like income security, generous unemployment benefits, affordable housing, as well as a range of early childhood development services.

To illustrate this point, in Ontario the child poverty rate fell from 24% to 17.5% after transfers such as the child tax benefit, the GST credit and employment insurance. But spending on public services as a percentage of the GDP has dropped 2.6% since the Tory government has come to power.

Campaign 2000's report card shows that there is a crumbling infrastructure of supports for children and

families. We found reductions in school programs such as ESL and special education. We found that child care and early childhood development services are not widely available, nor affordable, and that in fact less than 10% of children under 10 have any access to regulated care. We also found that benefits and supports for families on social assistance continue to decline, and now families are receiving benefits that are 40% to 45% below the poverty line. As you all know, affordable housing is in short supply, with virtually no new rental housing starts, and rising rents right across this province. Tuition fees for post-secondary education have jumped 140% in the last decade, where students are now graduating with average debts of \$25,000.

Yet we seem to hear the same answers, whether we ask why Ontario has the highest monthly fees for child care or why affordable housing waiting lists keep growing. The answers are invariably, "Our economy is growing," "We're creating jobs," and "We're cutting taxes." With over 470,000 children living in poverty in this province, we should be a bit more ambitious than this. This next budget is an opportunity to take steps toward addressing the situation.

Low-paying jobs make it difficult for families to make ends meet. We found that the number of children in poor families with full-time, full-year employment is a growing proportion of the total number of poor children. In general, tax cuts make little difference for families that have low incomes to begin with, and they also erode our capacity to invest in the kinds of programs children need. I refer you to page 6 of our brief for a comparison of how the tax cuts in the budget last May affect different income groups.

We call on our government to develop a more comprehensive approach to addressing child poverty, one that ensures we give children the best possible experiences during their formative years so that they may continue to flourish throughout their lives. To achieve this, our government needs to look beyond general tax cuts and must refocus on a social infrastructure for children that is based on quality services, affordable housing, income security and well-paying, secure jobs for families.

I will now pass the microphone to Lynne Russell from the Halton Social Planning Council. After that, Casey Ready will address the committee, and in the end I will provide you with some recommendations from our group.

**Ms Lynne Russell:** I'd like to thank the committee for letting us speak this afternoon. As Pedro mentioned, I'm from the Social Planning Council in the region of Halton. The Halton Social Planning Council is a community partner of Campaign 2000 along with many other partner organizations that produce a local report card on child poverty.

Many of Halton's families and individuals are affluent. In fact, the average annual family income in Halton is almost \$80,000. However, many Halton families have incomes well below this average. In fact nearly 60% have

incomes below that level. Of these families, 13% have annual incomes below \$29,000.

I'd like to highlight some of the information we have in our report card on Halton. In the report card we use Statistics Canada's low-income cut-off as the definition of the poverty line. Using those figures, in Halton over 7,500 children aged zero to 14 and over 4,500 youth aged 15 to 24 are poor. This translates to 11% of all children and youth or one in 10. Children are poor because their families are poor. In Halton, over 7,000 families are poor, which translates to 8% of all families or 21% of all single-parent families. In addition, over 8,500 unattached or single individuals in our region are poor, which is approximately 30% of all unattached individuals.

Why are families poor? Poverty is a human construct. The way economic resources are distributed is not a function of unchangeable economic laws but rather of political—that is, human—choices. Many are poor because they do not have access to appropriate education and training. Many are poor because the only jobs available to them are temporary, part-time, low-skilled and low-paying. Many are poor because they are unable to work and have a physical or mental disability. Many are poor because government income support programs are inadequate to cover the basic cost of living. Many are poor because they have fled from abusive relationships.

I'd just like to give some information—some of it province-wide and some from Halton—about factors contributing to poverty. The minimum wage has been frozen at \$6.85 an hour since 1995. In Halton, the Ontario Works caseload has fluctuated, with a current monthly figure of approximately 1,400 individuals. Although social assistance and employment insurance figures have decreased in the last few years, the number of families living in poverty in Halton has increased 80% over the last 10 years. Another contributing factor is the 1995 cutbacks of 22% to social assistance cheques. In Halton each month in 1999, an average of 3,280 parents, children and single people used one of the 11 food banks in our region, which is an average of approximately 1,200 families a month.

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**Housing:** The average Halton rent for a three-bedroom apartment has increased from \$740 a month in 1989 to over \$1,000 in 1999, and vacancy rates are under 1%. The housing authority and rent supplement waiting lists in our region increased from approximately 800 households a month to over 1,100 last year. The waiting list for subsidized housing can be as long as five years, and no social housing has been built in our region since 1994.

Some of the changes to programs for families and children include an increased use of emergency shelters in our region. One family per day was turned away from Halton Women's Place in 1999, and the number of calls to the Halton Rape Crisis Centre increased from 50 in 1989 to over 2,700 in 1999, without a funding increase. The average waiting list for subsidized child care in Halton has fluctuated since 1989, but the average figure

last year was approximately over 400 cases a month waiting for child care.

Pedro has already talked about some of the policies and programs that we need to address poverty. I would like to bring to your attention the need for a national children's agenda. The Halton Social Planning Council recommends a full national children's agenda that includes job creation as a cornerstone to reducing child poverty. When families are working, the cost of living is more affordable and there is less pressure on the social safety network.

We need income security programs that prevent families from falling below the poverty line, and programs such as the national child tax benefit and employment insurance should be expanded to benefit all families. We need to reinvest and develop further education and employment training programs that reflect current and future labour market trends. We need to increase funding to provide more affordable and emergency housing and support programs. We also see a need for a continuum of child and youth development services for families and children.

We ask you to join us in calling for the right recipe for the well-being of all Canada children.

I would like to pass it over to Casey now.

**Ms Casey Ready:** Thank you for the opportunity to speak today. My name is Casey Ready, and I'm the executive director of the Peterborough Social Planning Council. The council is a partner member of Campaign 2000.

The Peterborough Social Planning Council covers an area of approximately 122,000 people. There are 70,000 people in the city of Peterborough and approximately 52,000 in the county. For those of you who have had an opportunity to visit it, you will recognize it as a lovely community in the Kawartha area of the province. However, our community is facing the same types of challenges felt across the province, with growing poverty rates, growing depths of poverty and an increasing gap between the well off and the poor.

Poverty rates in the city of Peterborough have exceeded province-wide averages. Many of the factors contributing to the high poverty levels and an increasing depth of poverty in Peterborough are the same as those contributing to poverty across the province. They are: reductions in social assistance rates, a tightening in eligibility for social assistance, the lack of increase in the minimum wage and the clawback of the national child tax benefit supplement from families on social assistance.

One of the indicators of poverty has been the number of individuals and families that are homeless or housing insecure. Surprisingly, and sadly, homelessness is increasingly visible in Peterborough. A study completed last year by ONPHA, the Ontario Non-Profit Housing Association, found Peterborough city to have the highest rates of affordability issues of 21 communities across the province, including Toronto, Ottawa and Hamilton. We had 28% of tenants—roughly 3,000 tenants—paying over 50% of their gross income on rent, and 55% paying over 30% of their gross income on rent. Rents are somewhat



lower in Peterborough than in the GTA, but the income difference is much greater. The incomes are lower. Tenants are squeezed between dwindling supplies of new rental housing, increasing rents and decreasing incomes.

In response to the growing alarm with the magnitude and urgency of local housing needs, the Social Planning Council, in partnership with a number of other organizations, conducted a study last year of 206 households, representing over 500 people, in relation to housing and security. I've brought copies for the committee. The report is titled *A Crisis of Affordability: A Study of Homelessness and Housing Insecurity in Peterborough City and County*.

I would like to share with you some of the findings that relate to a picture of the stresses that are facing families and individuals. These might be seen as stresses in a typical small town in Ontario.

First of all, we chose to do our research on a sample that represented low-income people so that we could better understand the situations of groups and subgroups who were at risk of homelessness. Today I will comment mainly on the families and children in that sample.

Two hundred and six households were interviewed, including 50 adults and 18 children who were homeless at the time of the interview. Of the people who were homeless when interviewed, one in four was employed and one in 10 of the people who were homeless was employed full-time. The households with children experienced a greater degree of housing instability, with higher rates of frequent moves, and were more likely to have been homeless in the past three years than households without children.

Lone-parent families also faced problems with the quality of their housing and greater barriers to finding and maintaining safe, secure and affordable housing. This was due in part to discriminatory treatment by landlords. Households with children were two times as likely to report discrimination as were households without children. Our study demonstrates that homelessness and housing insecurity is not just a big-city problem and that there is a link between housing insecurity and food insecurity.

Some quotes from people interviewed included:

"All our money goes on food and rent. Mom has," only "\$40 of her cheque left to buy food."

"People have jobs but they don't," have enough to pay "for the cost of living."

"I find" in "Peterborough that the housing cost is quite high and utilities costs are out of control. Why is the rent so high here, when there is no work?"

"Minimum wage hardly reflects what we have to cope with these days."

Our organization works with an extremely broad range of local groups: government bodies, social services and health agencies, planning groups, grassroots organizations and individuals. We daily hear the impact of poverty on the lives of individuals, families and children. I want to share with you some of the stories I've heard recently.

One agency that works directly in housing support has found that there are as many people, both individuals and families, homeless in one month as there were five years ago in a year. This month there were five families with children who were literally homeless. Last Friday there were two mothers who arrived and had had no food for a full week for their children. One family had three children and the other family had two children. There are now 50 applications waiting for their emergency fund program. There's a major issue this year, in the winter, of the ability to pay for heat.

More local agencies are needing to offer food to their clients as they provide service. People, especially those coming with children, are hungry, and providing food makes them able to concentrate on the services provided. One agency that offers a collective kitchen has noted a major increase in both the numbers of people attending and that there's never any food left at the end of the programs.

Schools and teachers are increasingly finding the need to get food and warm clothing to children. We have 10 food banks in Peterborough. One in 10 in our area serves an average of 850 to 900 children per month, and that's 100 to 150 more than were served by the same group two years ago. That was an increase of 12% to 21%.

I've brought copies of the report. I hope you'll read them, especially noting pages 24 to 28, where the solutions that were recommended by the people who were interviewed are noted. It's not surprising that the two top solutions that were recommended had to do with the issues of supply of housing and adequacy of income, two areas where the provincial government has the opportunity to make a big impact.

Peterborough is also becoming known for its innovative responses to homelessness and housing insecurity. If there is time permitting later, I would like to share information with you on these innovative responses.

Pedro will be speaking now on a number of needed solutions, and I hope you will use the power that you have to implement these solutions.

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**Mr Barata:** Thank you, Casey. I think what my colleague's presentation shows is that we have a child poverty issue right across this province that's not by any means isolated in our major urban centres. We've developed a set of recommendations in consultation with our partners right across this province and I'd like to share those with you.

We urge that the Ontario government commit to work with the federal government to implement policies that promote a more inclusive society. Campaign 2000 calls on the provincial government to commit a sizable portion of its projected surpluses and existing resources toward making a real difference for families and children.

In order to fulfill its promises to children, the government needs to take immediate action by shifting its strategy away from a one-sided approach to tax cuts. Children and families require new investments in income security, early childhood development services and child

care, housing, education and a strategy to increase the number of good jobs.

We are recommending that the Ontario government take immediate action on the recommendation of the Mustard and McCain Early Years Study to ensure a comprehensive range of early childhood development services is available for all children and their families in Ontario by 2004. A comprehensive system of early childhood development services must include quality licensed child care, pre- and postnatal care services and supports to communities and families. The Ontario government has a real window of opportunity here and it should at least match the \$840 million that were just announced by the federal government toward early childhood development services. There's been virtually no announcement or consultation on this matter.

The Ontario government should also rectify the current lack of income security among families across the province. This includes ensuring that families on social assistance and the working poor receive benefits and supports that prevent them from falling into poverty. It also includes an end to the practice of deducting the amount families receive from the national child tax benefit from their social assistance cheques, the so-called clawback, which I'm sure you've heard about from other groups throughout your tenure on this committee.

The Ontario government should also work with federal government to set targets and provide funding and incentives to increase the amount of affordable rental housing and supportive housing. Specifically, the province should have an annual target for at least 16,000 new, affordable rental units and should allocate at least \$265 million annually to share the cost of meeting this target.

The Ontario government should also increase the supply of good jobs with better wages and increased protection from job losses. The government should start by increasing the role of the public sector, providing meaningful training and increasing the minimum wage to reflect the actual costs of raising a family. The government should also ensure that the labour code protects parents from the possibility of being forced to work 60-hour weeks.

The Ontario government should also ensure that all children get the best possible education throughout their life cycle by providing adequate funding for the elementary and secondary school systems.

Finally, the Ontario government should work with the federal government to freeze and lower tuition fees by increasing investments to colleges and universities.

I believe we have about seven minutes left and I'd like to open that up for questions.

**The Chair:** According to my watch, we have about four minutes left. I'll allow one minute per caucus.

**Mr Kwinter:** Thank you very much for your presentation. Anyone who wants can answer this question, because I'm only going to have a chance to ask one question. We keep hearing that the people who are on social assistance or welfare are going off the rolls. The government makes a big thing of periodically announcing that

the welfare rolls have dropped dramatically, and yet you and other groups that come to us tell us that the situation is getting much worse, there's greater child poverty, there's greater homelessness, there are greater problems. How do you account for that? Is it just that they've made the eligibility tighter, or is there a whole new subculture that's growing?

**Mr Barata:** I know that a recent report by the city of Toronto shows that although there were people cycling in and out of social assistance, there's a core group of lone-support parents who, because they lack support such as child care, are unable to essentially get out of social assistance. As cost-of-living increases have not been built into the amount that social assistance pays, obviously those families are under strain. What we do find is that although child poverty is not rising off the charts over the past five years, it has certainly been at consistently high levels throughout the past five years. At the same time, housing costs keep going up, the cost of living keeps going up and the minimum wage stays the same. So even those families that are working are still no better off.

What we find is that although people are coming off the welfare rolls, there's an inverse relationship where there are more and more working poor families. If you map this out on a chart, it's almost like a cross. You find there's a declining social assistance roll and that there are more and more working-poor families. I think the lack of supports and the fact that the minimum wage has been frozen since 1995 and housing costs have continued to go up accounts for why families are no better off, despite the supposed economic prosperity. I don't know if anybody has anything—

**The Chair:** Thank you. We'll go to Mr Christopher-son.

**Mr Christopherson:** Thank you for your presentation. I'm from the neighbouring community in Hamilton and we always looked at Halton as being the rich folks, so if it's showing itself there, then I think it should be a wake-up call.

As we draw to a close of these hearings—after this afternoon, we're finished—there really are two Ontarios that have been coming in here. One is the Ontario that has benefited from the Harris cut-taxes, cut-spending, shrink-government agenda—and that's a very small elite—and then there's this huge whack of people who have seen their quality of life diminish, their children's education diminish, the health system that's available to them. They're beginning to catch on that there's a link between this agenda that says everybody is doing really well and the way they see their quality of life sliding. Then there are those who are already in poverty or have been pushed into poverty who, I suspect from the outset, clearly saw this when they got whacked with a 22% cut in their income. It still, to this day, six years later, boggles my mind that that happened in Ontario and that there wasn't rioting in the streets, that you could actually take the poorest of the poor and cut their income by 22%.

Some of these Tories wanted a 42% increase in their own wages. They've given their own staff 25% to 30%,



and it may be justified in some cases; maybe it was warranted on an individual basis. If you suggested that the people that work for them take a 22% decrease, they'd go out of their minds, yet those who are in poverty are expected to accept that and everything else.

I don't know if there's any time left, but I just want to say to you that there are clearly two Ontarios: there are those who are winning big-time and then there's everybody else, and everybody else is sliding further and further behind.

**The Chair:** Go ahead for a quick response.

**Mr Barata:** Not only were social assistance rates cut; at this point there are actually programs for the working poor being funded strictly out of the incomes of families on social assistance. The federal government provides a national child tax benefit to families on social assistance, which is clawed back dollar for dollar from social assistance cheques and then is reinvested under a new provincial program for working-poor families. Certainly the stories go on and on. It's just another example of how there is a real lack of vision at times for programs for the least well-off.

**Mrs Molinari:** Thank you very much for your presentation. You have just talked about the national child tax benefit, and, in fact, we have reinvested that \$100 million into the Ontario child care supplement for working families, as you've indicated. That brings the value up to \$200 million. Also, Ontario's promise is to get organizations working together. There have been a number of initiatives that have been put forward: the early years challenge fund; the Ontario Breakfast for Learning program; Healthy Babies, Healthy Children; and Better Beginnings, Better Futures. There are a number of programs that have been introduced and initiated to provide for some of the concerns you've expressed here.

Certainly we believe that in order for a government to continue to provide for those in vulnerable situations, we need to have a strong economy and we need to have the funds to be able to do that. In order to do that, you need a strong economy. You need to have the tax base; you need people working in jobs to be able to contribute to that. As much as we have the same view on what we should be doing to assist those in vulnerable situations, we also have varying views on how to do that. As a government, we're looking at long-term benefits rather than short-term fixes. In order to have that long-term benefit, you need to, again, as I've stated, have the strong economy that continues so that there is money to be able to invest in all of the programs.

**The Chair:** I would ask you to wrap it up, please.

**Mrs Molinari:** Then I will just end by saying thank you for the work that you do and for the presentation that you've made here. It brings some of the issues to light. Certainly, we will consider it along with all the other presentations that come forth.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

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## REGISTERED NURSES ASSOCIATION OF ONTARIO

**The Chair:** Our next presentation is from the Registered Nurses Association of Ontario. I would ask the presenters to come forward and state their names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Mrs Doris Grinspun:** Good afternoon. My name is Doris Grinspun. I am the executive director of the Registered Nurses Association of Ontario. I would like to also introduce my colleagues here: Kim Jarvi, who is the economic analyst of the Registered Nurses Association; and also my colleague Jacqueline Choiniere, who is the director of policy and research at the RNAO.

The RNAO is the professional organization for registered nurses who practise in all sectors across this province. RNAO's mandate is to advocate for healthy public policy and for the role of registered nurses. We welcome this opportunity to participate in the pre-budget consultation and to convey the views and recommendations of Ontario's registered nurses to the standing committee on finance and economic affairs.

Let me present to you some of the highlights from our written submission, which you have with you, I hope. We will first address health care issues in the broader sense, and then specific nursing issues.

Budgetary decisions impact the health of our population in a variety of direct and indirect ways. They set the fiscal and economic framework. The resulting policies have significant implications for a series of social and environmental factors that, in turn, have long been known to be critical to health status.

Health care is one determinant of health. Ontario residents, like all Canadians, are passionate about preserving equal access to necessary health care services—access that is based on need, rather than the ability to pay. Like most Canadians, registered nurses are passionate about these values. Public opinion remains loyal to this belief. Universal access to health care is not a new concept for registered nurses; it has long been a priority, both at the provincial and national levels.

There is another critical element in our support of a universal, accessible, publicly funded health care system, and that is, simply, that it works. Evidence continues to mount that public funding and not-for-profit delivery of health care are both more effective and efficient.

Access to appropriate health care is an important determinant of health, but it is not the only one. There is a tendency in our society to focus on curative health care as the most useful, critical tool for improving the health of the public. Yet research has well established a series of other important factors—factors that are often overlooked: absolute and relative poverty, which my previous colleagues spoke about; unemployment; stress; social support; social cohesion; and lifestyles. Public policy changes these policies for better or worse.

We cannot ignore the fact that a growing income disparity combined with the fraying of the social safety net greatly reduce the degree of cohesion in our society. We risk losing even more provincial cohesion if we continue to tolerate huge spreads of income and wealth and if we fail to reinvest in the social safety net. Those who have become increasingly marginalized have waited long enough.

Even the best health care system in the world, if it were combined with an inadequate social safety net, would still compromise the health of a significant portion of the population. In the long run, this would prove to be a very costly misallocation of resources. That's why we say, now is the time to invest for the future. In particular, it is the time to reinvest in those areas which have been hard hit by budget cutbacks and by private sector retrenchment—physical, human and social capital.

Over the past few years, provincial reinvestment in health care has served to slow the deterioration of the system. However, these reinvestments have failed to keep pace with population growth and inflation. In fact, spending in real terms fell by \$115 per person between 1994 and 1995 and 1998 and 1999 once the figures were corrected for creative accounting. Real per capita spending on health care by the province fell every year in this period.

Nurses believe that financial reinvestment alone will not solve our health care system ailments. We must reinvest in programs that will lead to a solution of our problems instead of funding temporary solutions or quick fixes. For example, the repeated emergency room crises will be resolved only by reinvesting in programs such as primary health care, long-term care and home health care. The inability to discharge patients from hospital in a timely fashion will be resolved only by adequate levels of home care services. Appropriate bed utilization within our hospitals necessitates further development also of our long-term care facility sector. In our submission we have presented an analysis of current budgetary constraints.

In summary, we know that the immediate economic future, although uncertain, has something clear—uncertainty—and thus we need to prepare for it. Most people expect the economy to slow and tax revenues to decline in tandem. There is little room for government to cut expenditures, as they have already fallen in real per capita terms by 7.3% over six years. Indeed, there is considerable need for government to reinvest in neglected areas of physical, human and social capital.

This raises the issue of tax cuts. We know that the government has spoken of cutting taxes further than they have done so already. If fully implemented, however, it is our estimate that these costs could be as high as \$9 billion for the treasury. Given the prospect of declining revenues and a need for more spending, the slim budgetary surplus could quickly turn into a large deficit. It is with this in mind that we recommend strongly against implementing further tax cuts at this time.

This is not to say, however, that we should not change the way we collect taxes. It is desirable that taxes be as

efficient as possible and distort correct prices as little as possible. Taxes that correct for market imperfections will be desirable. For example, the market over-provides environmental destruction and harmful substances. Green taxes, for example, and tobacco taxes could both help to correct under-pricing of harmful activities. Federal taxes on short-term destabilizing financial flows are another example of this type of tax.

These corrective taxes would serve two functions. They would reduce the harmful activity and they would raise government revenues for programs that already deal with the consequences of the remaining activity, for example, treatment of lung cancer and heart disease.

There is also greater fairness in using these taxes, in that it is the sinner who pays for harmful activity. Whether these taxes are raised at the federal or provincial level, the provinces would seem to have some moral claim on a portion of them since they deliver the remediation services.

RNAO recommends that the government refrain from tax cuts until it designs other sustainable tax revenue measures to replace the revenue forgone. At this point in the business cycle, forgoing tax revenue is, in our view, inappropriate and fiscally irresponsible. On the same grounds, we urge the province not to push the federal government for large tax cuts at this time.

RNAO also recommends that the government move to increase taxes for those industries and products that are detrimental to health. We mention green taxes and increased tobacco and gasoline taxes as examples.

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We also want to leave you with a clear message about privatization. With respect to health care, the economics are very clear: public funding not only guarantees universal access and better quality, but it is also the cheapest way to fund health care. Research overwhelmingly shows that public funding and not-for-profit delivery of health care services is cheaper and of better quality than for-profit provision.

The major nursing organizations in this province have already publicly declared their concern about the increased privatization of health care in Ontario and Canada. Ontario is leading in that trend. This is a particular problem in the areas of home care and long-term care.

We also have growing concerns about privatization in the hospital sector. These concerns are about both cost and quality. Quality in health care has long been recognized as a problem in for-profit provision, because it is very difficult to monitor. For-profit providers have a perverse incentive to cut corners on those components of care that are difficult to monitor.

We are alarmed over the government's move to fund a for-profit agency to deliver radiation therapy in hospitals. We are concerned not only about the potential for greater costs, but also the risk of bleeding health care professionals from the public and not-for-profit sectors. We are also alarmed about recent statements by the Premier and our new minister that the government is encouraging greater privatization within the health care system. We



believe if we continue this trend, it will cost both in money and in quality, and also in moral terms and social cohesion.

RNAO repeats the call made last year by the major nursing organizations across Ontario for a moratorium on privatization of health care services in this province. RNAO calls upon the government to recommit itself to the principles of the Canada Health Act, which are very clearly stated in the Blueprint and in the throne speech, and to publicly reject movement to an American-style privatized health care system. RNAO joins the Premier and the opposition parties in their request for a full audit of the decision by Cancer Care Ontario to pay a private company to run an after-hours radiation clinic at Sunnybrook hospital.

Having the right infrastructure is essential to economic sustainability and prosperity. The market tends to underprovide certain infrastructure—for example, transportation networks, schools, hospitals, water treatment facilities etc—because the market cannot generate appropriate incentives. Governments have traditionally had to step in to fill the gap.

Government cutbacks and private sector restraint have resulted in a decaying of this infrastructure, to the detriment of the productivity of our society. When governments correct for the under-provision of infrastructure, they are engaging in market-friendly activity. So long as it is done efficiently, most sectors in the economy welcome this activity. It is long overdue for provincial governments to start to address the erosion of infrastructure in a serious way.

Long-term-care commitments were made in the 1999 Ontario Progressive Conservative Blueprint to raise health care spending by 20% over five years. Furthermore, the government struck a task force to obtain recommendations on the major component of health care delivery: nurses. It accepted all of the task force's recommendations and established the implementation process which all nurses are monitoring currently closely. It has been gratifying to witness the evident desire of Ministry of Health officials to successfully implement these recommendations. I would like, on this note, to commend Minister Witmer for her personal commitment to the nursing profession within the nursing task force recommendations, and the Premier.

I would like to speak now specifically about our profession. The RNAO is gratified to know that in poll after poll the public is solidly supportive of a publicly funded, not-for-profit delivered health care system and that nurses are seen as the most trusted of all health care professions. This has been the case not just lately but for the last five years. These public opinion barometers have consistently identified nurses as having the greatest influence on the day-to-day quality of care. My colleague from OHA who I saw sitting here knows that's the case, and we should take that seriously because detriments to the nursing profession impact on how the public perceives health care.

However, many of these surveys have also identified growing public concern about health care issues along with a keen desire to maintain this most cherished of public services. Also evident in these surveys is the high degree of concern about nurses' work circumstances. Opinions include concern that nurses are overworked, along with support for enhanced and dedicated funding for the nursing profession. RNAO acknowledges the concern and support of the public on these issues and we suggest that their opinions lend great urgency to our message today.

We would like to acknowledge the actions taken thus far by government in addressing the concerns of nurses. The reinvestments that have been made constitute a positive step. Recent College of Nurses data—and this may be news for all of you—indicate that nursing employment increased by over 5,500 positions, both RNs and RPNs together, over 1999 figures. While this is good news, we remain far short of our target of 12,000 new positions by the end of 2000.

However, nurses continue to report workloads that are frequently unsafe and unbearable, frustration and a sense of powerlessness over the inability to enact best practices due to lack of time, and anger over working conditions and the prevalence of casual employment, which both causes insecurity and makes it harder to deliver continuous quality care to patients and clients. Having to deal with improper equipment and a decline in the availability of materials used to provide care is another concern that nurses continue to mention.

The competitive bidding home care sector process has also created frustration, fear, and insecurity of employment, and is making nurses leave the home health care sector in favour of the hospital sector.

We know these circumstances continue to drive many nurses out of the province, out of the country, or out of nursing altogether. Tomorrow morning we will be addressing that issue at our press conference, which has some good news.

We need the government to continue to support the nursing profession, and together we need to continue to serve the people of Ontario. In the next section, I will provide specific recommendations about critical investments.

First of all, the labour market: the government has taken steps in the right direction with its commitment to hire 12,000 more nurses in permanent employment status. There are other important steps that are necessary in order to recruit nurses to positions that will enable them to provide needed care to the residents of Ontario.

The government must continue to flow earmarked funds, with clear accountability mechanisms. Those mechanisms were not in place previously, and we urge you to put them in place until the RN-population ratio is comparable to the rest of Canada. As you know, we have the lowest nurse-per-population ratio in the country here in Ontario.

**1450**

We urge the government to flow funds to health care agencies in a manner that will facilitate long-term planning of health care delivery. This is true for the hospital sector, this is true for the long-term-care sector, and this is especially true in the home care sector.

We commend the government for sponsoring career days and job fairs. These have proven to be most successful in matching nurses with employers, and indeed we have matched thousands of them. We are heading on Monday to Texas to bring our Ontario nurses back home. We urge the government to continue to fund this and other important recruitment initiatives.

Let me talk for a bit about the work practice environment. Along with recruitment initiatives, we must focus on initiatives that will keep nurses in our province, those who are currently here, and not continue to bleed them to other countries. The work environment difficulties experienced by nurses in all sectors include: replacement by unregulated care providers; a move to part-time and casual employment; a move to temporary contract positions; poor staffing patterns in the context of increased patient acuity; and funding that does not keep pace with need.

In that sense, let me give you a touch of the latest research that is coming from the management literature in relationship to what is called contingent workers or contingency work, which was initiated in the US under the impression that it would cost less and provide as good quality care, and efficient care, because you didn't have the benefits etc. The latest in the research is that it is actually costing more and that people are losing their commitment, their contract with the organizations, their motivation, and therefore their productivity. So that's important to keep in mind.

Also, too many of our nursing professionals are curtailed in practising to their full scope of practice by outdated and inefficient regulations.

Wage disparities between the community and hospital sectors are a substantive barrier to ensuring efficient utilization of the home care and hospital care sectors. Basically, hospitals cannot discharge patients because they don't have sufficient nurses in the home care sector. Nurses are escaping that sector to go to the hospital sector because they are better paid, simply said. Nurses working in the community face wages that are 20% to 25% lower than their colleagues in the hospital sector. So the recipe is there for them to move from one sector to another, regardless that it may be better clinically for them to stay in the home care sector. This is causing severe recruitment and retention problems and poor continuity of care in the home care sector. In turn, it is affecting the ability of hospitals to discharge patients in a safe and timely manner, since community services are often not available, not just on weekends and holidays, as it used to be a year ago, but actually in the middle of the week now.

The situation of nurse practitioners requires particular attention. The government has taken the important step of

recognizing their extended scope of practice and funding some positions. We urge the government to follow the commitment in the Blueprint to aggressively put more nurse practitioners across the continuum of care. We are asking for funding for 200 nurse practitioners who are currently either unemployed or underemployed and are at risk of losing their certification with the College of Nurses. We trained them—you paid for it—but we may lose them because the funding is not there.

I think I will stop. The recommendations are very clear. We are asking for mechanisms to fund the various health care sectors so that they can have more full-time nurses. We have recommended that 70% of the nursing workforce be on a full-time basis. Then you will decrease the need for so many more nurses and you will also increase their retention.

We are also asking for the 200 nurse practitioners who are unemployed or underemployed to be fully funded, rather than the 75 that the expert panel is recommending for the year, because you are going to lose the remaining 125. In fact, some of them are already moving to Saskatchewan and other places.

We are also asking for continuing funding for the best-practice guidelines. We commend the foresight of funding that initiative.

We are asking for one-time funding to develop, evaluate and test orientation prototypes in the hospital sector and in the home care sector.

We are asking for one-time funding of \$1 million to develop a pilot test to evaluate teaching units, with clear criteria for RFP, which will provide a perfect venue across the province to create positive work environments and merge the best of senior nurses with the newly graduating baccalaureate nurses.

I will stop.

**The Chair:** With that, unfortunately, we have run out of time for questions. On behalf of the committee, I thank you very much for your presentation this afternoon.

#### ONTARIO LONG TERM CARE ASSOCIATION

**The Chair:** Our next presentation is from the Ontario Long Term Care Association. I would ask the presenters to come forward and state their names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon. You may proceed whenever you're ready.

**Ms Vida Vaitonis:** Thank you for inviting us here today. My name is Vida Vaitonis. I am executive director of the Ontario Long Term Care Association. With me are David Cutler and Fraser Wilson, members of the board of the association.

We represent 330 of Ontario's long-term-care facilities, including private, not-for-profit, charitable and municipal organizations. The homes we represent provide care and accommodation for more than 32,000 people. An equal number of staff work in these facilities.



The entire long-term-care facility system in Ontario includes 498 homes that care for approximately 57,000 people. OLTC members thus account for roughly 66% of Ontario's facilities and 56% of residents. Much of the system's remainder is made up of homes represented by the Ontario Association of Non-Profit Homes and Services for Seniors.

Founded in 1959, OLTC was originally known as Associated Nursing Homes Inc of Ontario, and later as the Ontario Nursing Home Association. Nursing homes have a long and honourable record of partnership with the government of Ontario. For decades, our members have worked closely with the Ministry of Health and Long-Term Care, as it is now known, to ensure that Ontarians who need facility care can get it at a reasonable cost to themselves and to the system.

For the benefit of the new faces on the committee, let me explain just the basic facts about how our sector works.

While long-term-care facilities can be privately owned or operated by a municipality or a charity, all facilities operate under the same regulations within very tight governmental control. Government financing drives our capital budgets. If we want to expand or upgrade, we face a complicated ministry approval process. The government sets our operating revenues as well. The ministry grants our homes approximately \$55 per resident per day for nursing and programs. Residents pay approximately an additional \$43 for accommodation services, a rate set by the government. Preferred accommodation is offered to them for up to \$18 per day, but the government sets the rate and the proportion of preferred accommodation that facilities can offer. The amount of physical space we offer residents, the level of care they receive, the number of food service workers, the content of meals: each and every one of these factors is closely controlled by government rules and funding mechanisms.

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Let me tell you why we're here today. We are here because people are expecting us to play an expanded role as lynchpin of the health system, and we have some challenges to meet if we're going to fulfill that role.

Let me explain. We all know that our society is aging. Elderly people and those with disabilities need care, and there are only three ways to deliver it to them: in their homes, in hospitals, or in long-term-care facilities. Hospitals cost too much to be delivering long-term care—sometimes up to \$800 per day—and are really designed to deal with acute medical cases, not the type of care required by people who are simply aging or disabled and are unable to care for themselves. For this reason, hospitals are a very inefficient and inappropriate means of caring for our elderly, but often they have been the only recourse to which families can turn. As a result, we have the phenomenon that some refer to as "bed blocking," in which people who do not need acute care remain for extended and costly stays in hospitals while they wait for a long-term-care-facility bed. This creates a

backlog at the hospital's front door—the emergency room.

By building a strong long-term-care sector, we can put an end to the so-called bed-blocking that exists today. A strong long-term-care system will also create places that will be filled as our population ages. We offer the means of both easing current system problems and meeting the brunt of future demand. This is what the government of Ontario recognized in April 1998, when it announced it would build 20,000 new beds over six years. As the Premier said at the time, "We are taking the necessary steps to build a health system that will meet the current and future needs of our growing and aging population, and ensure that Ontarians have access to the highest standard of long-term care.... This investment will strengthen community services for the elderly, improve the quality of life of people who live in nursing homes and homes for the aged, take pressure off hospitals and emergency rooms."

The Premier was right then and he's right now. A month ago, he affirmed that vision of a health system in transition in an interview with the *Toronto Sun*: "If you look in health care, the big challenges we faced were to keep pace, modernizing hospitals, long-term care. They were built on a 50-year model that every hospital had to do everything...." We want to play the role the Premier envisions for us. We are stepping up to the plate, bidding for the new beds, seeking financing from our bankers to carry our share of the costs and reconfiguring our business to fulfill this new mandate.

But building more beds isn't enough. We need the operating funding to make them better beds, to make them beds in which you would want your parent to live out his or her life, or one day to go into yourself, knowing you'll get the care you'll need. Right now, we all know that the level of care is not what we want it to be. It is below what I believe any of you would be comfortable with. And this problem is only going to get worse as our resident base ages and needs ever-increasing amounts of care: 10 years ago, our average resident was 76 years old; they are now 86. The resident of tomorrow needs more hands-on care and that means we need more hands on deck.

We have been working closely with the Ministry of Health and Long-Term Care to try to define the current situation and to determine how much more is needed to bring care to an appropriate level based on current and future needs. Our belief is that the government will need to increase operating funding by between \$500 million and \$600 million over three years. This is what we will need to provide Ontarians with an acceptable level of care.

We are under no illusions regarding the magnitude of this request. We are well aware of the fiscal pressures that the government faces at this point in the business cycle. Why, you might ask, can't this wait a little longer? Well, the new beds are coming on stream. Demand is being stimulated. The public is knocking at our door. We will build the new beds you have asked us to build. But if

we build it, they won't necessarily come—not without the appropriate level of care. As long as people feel comfortable accommodating loved ones in expensive hospitals or at home with insufficient resources, they will choose to do so. Patients will remain in expensive hospital settings, ultimately creating backlogs at the hospital front door—the emergency room.

Now is the time to prevent this kind of situation from occurring. Now is the time to work together and build a long-term-care system that can ease so-called bed-blocking and meet the challenge of an aging population. Demographic and medical pressures are mounting. Demand is increasing. Inflation and other cost increases have taken their toll. You have asked us to play an expanded role. We are excited about playing that role, and excited about working with a new Minister of Health and Long-Term Care. We are excited about the kind of system we can build if we can get the operating funding we need.

The issue here is not beds; it's level of care. The issue here is not wages; it's the level of service. The issue is not the past; it's the future. The issue here is not whether, but when, and the answer is right now. We want desperately to fulfill the role Premier Harris has set out for us. We are working intensively with ministry officials to find a way to get these needed funds into our system. We are taking our message to MPPs, cabinet ministers and central agencies. We seek not to threaten or shame the government into action, but we must deal with this issue now.

**The Chair:** We have five minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** Certainly, no matter where on the continuum of health care, we see enormous pressures. We've heard from virtually all of them. You will know from the morning paper that the Premier was quoted yesterday as saying that they are planning to ratchet down spending rather than back off on the tax cuts in order to try to offset the downturn to maintain a balanced budget. There are so many pressures in the health care system, one has to wonder where there aren't pressures for increase.

But if you take the Premier at his word, then what he's saying is in the health ministry, like every other ministry, where you're responding to population pressures, cost pressures, aging population pressures, whatever those legitimate built-in pressures are that are forcing increases in the Ministry of Health, without expanding, just to meet the current demand, in order that everywhere that that's happening, if the minister chooses to go that way, there has to be a corresponding cut.

One would assume normally when you make that kind of statement that you're going to increase in a strategic area and then cut in an area, hopefully, that won't have any impact, either through re-engineering your services, new technology, something that would render it non-harmful to the public. I've got to tell you, when it comes to the key areas that are affecting us right now—whether it's environmental protection, social services, health care

or education—I can't imagine where those offsetting positions are. Assuming that they go full ahead in this direction and attempt to meet needs in the health ministry, where, in your opinion, in the continuum of health care, can the ministry afford to cut in order to put in new?

**Ms Vaitonis:** Our position and our mandate is to identify the needs. Our issue and our mandate is not to find the dollars within the health system. We know that there are tremendous pressures on all fronts. Our job in coming here today is to identify the areas that we feel are most pressing in the long-term-care field, and we've tried to identify the amounts that are going to be needed over the years to come.

**Mr Christopherson:** I don't imagine anybody can answer that. I didn't expect you, really, to have an answer. I wanted to give you the chance, because if it's that obvious—often the Premier accuses the opposition of not seeing the obvious—maybe I'm missing the obvious. But I don't know where it is within the Ministry of Health budget, based on what we've heard for the last two weeks, that they can afford to cut if that's the price to pay to increase where we need it. Obviously, your needs are legitimate and so is every other point of contact along that continuum of care.

Whether we're talking the hospital sector—they were just in here this morning talking about the \$400-million to \$500-million pressure that's on them just to maintain—or through to the home care, where the wages are so out of whack that we can't attract nurses into that field and we can't keep them. I would argue a lot of that has to do with privatization and the managed competition which is forcing the price of nurses in that part of our continuum down. Nonetheless, at the end of the day, the only way the strike at the VON in Hamilton got resolved was that the ministry coughed up some more money so they could pay at least some of the wages that are due those nurses. Everywhere I look in the health care ministry, whether it's the emergency room and the ambulance end of it or providing the acute care on the ward, I don't know where they would possibly cut if they were to recognize, quite rightfully, that your area of the continuum of health care needs money and so does every other area.

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You've got to get your head around this: the world has changed from the day we said, "Come on in and see us," to the day you actually got here. When we started out the process we were up over 3% GDP expected, with a \$1-billion surplus and a debate about where that's going to go, to now hanging on with our fingernails trying to figure out how this province is going to maintain the standard of living, as depressed as it is for some folks, at the same time the government is going to spend more money on more tax cuts and somehow magically that's going to solve all this.

I realize there's not really a question in there, but if you've got any thoughts—you're just showing up that whole vision that says to us we're in serious trouble.



What we ought to be doing is backing away from the tax cuts and then making sure that whatever money is available is going into priorities like health care, because it's a good investment as well as being the right thing to do in our society.

**Mr David Cutler:** Mr Christopherson, all we can say is that we've identified this need. We don't know where the money is to come from, but it's our obligation to bring this to the attention of the government and we've done that.

**Mr Christopherson:** Absolutely. You've done an excellent job of that. Thank you.

**Mrs Molinari:** Thank you very much for your presentation. You've highlighted some of the concerns and issues around long-term care. Certainly as a government we've made some changes and initiatives to provide for some of the needs that are going to be emerging in the years to come, and one of them is of course the need for long-term care. The hospital restructuring committee in their review also made several recommendations, and as a government we have responded to a number of those. The creation of 20,000 new long-term-care beds is one area that we've responded to. Certainly there has been funding put in to also inspect some of the long-term-care beds throughout the province to ensure the quality, because you also indicated in your presentation that it's not only having the beds but being able to have quality service provided for those in that need.

In my riding the Reena Foundation has an elder home that's for the disabled elders and they provide an excellent service in long-term-care needs for their clients, certainly supported through various ministries provincially. They've also done a number of other initiatives that have given them accessibility to additional funds, either through fundraising or a number of other initiatives. It's an organization that I certainly talk about as often as I can and highlight the wonderful work they're doing in co-operation and in partnership with all of those that are responsible, because certainly we need to work together in any way we can to provide for those who need our help. Governments can't do it alone. It's not something that is the sole responsibility of the provincial government. Our view has always been that in order for a government to be able to assist those in need, we need to have a good economy, we need to have the funding in order to provide for that economy.

A number of presenters who have come forth in the last—I guess this is the eighth day, and there have been varying views on how to create that strong economy. One of our beliefs as a government is that tax cuts create the strong economy, create jobs, and the more jobs you have, the more people are paying taxes and the more money you have to invest in services like long-term care and a number of other social services.

Certainly some of your recommendations and some of your comments will be taken into consideration with all of the others that come forth, and I congratulate you on the work that you do with respect to this area. Thank you for taking the time to come and make the presentation

here today. I know my colleague Doug Galt also has a question.

**The Chair:** Mr Galt, you have a minute and a half.

**Mr Galt:** Thank you for your presentation, bringing forward to us the amount to make this whole thing fly.

There's one player not at this table. You people are here, we're here as a province. The other player that is not here is the federal government. I'm wondering what your presentation would be like to them, because as it started out, the previous group wanted us to recommit to the Canada Health Act. I think the Ontario government is committed very much to the Canada Health Act, although it doesn't appear that the federal government is, because they've reduced from the 50% funding that was a commitment at the beginning of the act, when it was first proclaimed. At the end of the Conservative era it was down to 18%. I don't know when it slid before that, at what rate, but in 1993 it was at 18%, when Mulroney turned it over to Chrétien, and now it's gone to 7%. With great fanfare it came back up to 11%. What is your presentation like to the federal government when you go to their finance committee? What are you asking them to do?

**Ms Vaitonis:** In fact we don't normally go to the federal level since we are a provincial association. We haven't to date done so. Certainly funding from whatever source and whoever's responsibility it is needs to come forward and support the Canada Health Act altogether in all the care that's delivered throughout Canada. We're very much hoping that all the resources that are available, whether at the federal level or at the provincial level, will come forward to support the care that needs to be delivered.

**Mrs McLeod:** I won't waste the valuable time we have with you to debate over Mr Galt's statistics, but I do want to talk to you about the financial needs that you've set out for the long-term-care facilities in the province. I'm particularly sensitive to the plea that you're making, because we're in the midst of long-term-care forums across the province and we're hearing regularly from both family members of people in long-term-care facilities and from staff members about their concerns with quality of care. I have to tell you that every time somebody speaks to us they speak about the commitment that's been made by staff even though the staff are obviously working beyond their stress levels. It's staff who are saying that they are really concerned about the safety of their patients—not just quality of care but safety. That makes me very responsive to the plea that you've made here for more adequate funding for long-term care.

I wanted to ask you specifically, when you talk about \$600 million, because you say over three years, is that an estimate for what you would need annually, so it's \$200 million in each of three years, or is it \$200 million accumulating as you add new beds to the system so that by the end of three years with new beds on stream the increased cost is \$600 million?

**Mr Fraser Wilson:** Essentially what we've looked at is, we have costed out what we know, and what we know

today is that 57,000 beds are in the system. What we have not done is anticipate the addition of the 20,000 new beds because we don't know exactly when they are going to come on stream and we want to look at it from that perspective. What we also know is that the day of large group activities is gone. With our residents, there is a far greater need for one-on-one programming because of behavioural challenges that come with cognitive impairment. As to how we stage the funds over a three-year period, we look forward to working with government to make that happen.

**Mrs McLeod:** So this is to improve quality of care for current residents without anticipating the new beds coming on stream.

**Mr Wilson:** That's correct.

**Ms Vaitonis:** The only caveat I would add to that is that it also allows us to step up to the new role that we need to undertake as the system unfolds and the reform takes place, where we take on more complex care.

**Mrs McLeod:** I was going to ask, is part of that new role and part of the need for increased funding for quality care because as chronic hospital beds are being shut down, with some reversals on that front, long-term-care facilities are being asked to undertake more complex care, such as psychogeriatrics and Alzheimer's patients, without having seen a corresponding increase in the level of support that you can provide?

**Mr Wilson:** That's correct. That takes us to a higher level of service to meet that complexity of care.

**Mrs McLeod:** Right. How many new beds have actually come on stream in the last three years since the 1998 announcement?

**Ms Vaitonis:** The first beds that were to have been built came out last fall.

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**Mrs McLeod:** As a successful bid but not actually up and running?

**Ms Vaitonis:** No, up and running actually, approximately 1,000 to date. We're predicting that this year a little more than 4,000 will come forward and the rest will very quickly flow after that.

**Mrs McLeod:** Have you had a corresponding per diem increase in your funding to accommodate all of those new individuals? Because we're now no longer talking about capital bids; we're talking about people in your institutions. Have you had a per diem increase or have you just had a constant change in the case mix index so that it shifts from facility to facility but the overall budget isn't actually increasing to take into account those 1,400 new beds?

**Mr Cutler:** We haven't as of yet had an increase. There's been no change in the per diem rate and there's no distinction between the old and the new facilities. The per diem funding based on your CMI is exactly the same.

**Mrs McLeod:** Has the total global funding for long-term care facilities increased by an amount commensurate with 1,400 new beds?

**Mr Cutler:** Yes, that has definitely increased.

**Mrs McLeod:** One of the concerns we hear, and you've touched on it, you've alluded to it in your brief, is that there are no longer minimum requirements in terms of minimum number of nursing hours and there's a real concern about having registered nurses on staff in adequate numbers. Is the funding you're proposing going to address that? Is that one of the issues that can be addressed?

**Mr Cutler:** Yes, that most definitely is one of the issues that will be addressed. We realize that we need to increase the mix of professional staffing to non-professional staffing so that they can take on the increased complexity and acuity of care level that's expected of us.

**Mrs McLeod:** My other question would be, how far beyond the minimums can you go? We were hearing concerns that minimum staffing is not in place because it's no longer in the act and it's no longer funded. But it seems to me we have to go far beyond that, if we're talking about a quality of care, to include things like non-nursing professionals, occupational therapists, physiotherapists, which are almost a dying breed in long-term-care facilities these days.

**Ms Vaitonis:** We believe that our projections in our document here address that need.

**Mrs McLeod:** Is it outlined anywhere, all the components of your request for the \$600 million over three years?

**Ms Vaitonis:** We've worked within our association with the ministry on a variety of studies. There isn't one comprehensive overall study that we're able to share with you at this time, but we would be working toward something like that.

**The Chair:** On behalf of the committee, thank you very much for your presentation this afternoon.

## CANADIAN FEDERATION OF STUDENTS

**The Chair:** The next presentation is from the Canadian Federation of Students. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Ms Erin George:** Thank you very much. My name is Erin George. I'm the Ontario chairperson for the Canadian Federation of Students. We represent 185,000 undergraduate, graduate and college students in Ontario and 400,000 across the country. With me today is our government relations and campaigns coordinator, Pam Frache.

We have a submission and what I would like to do is read parts of the submission and our recommendations, and then hopefully there will be time for questions at the end.

While there is a general acknowledgement of the growing importance of colleges and universities, this government's response has been to slash funding for higher education in an unprecedented way. For the 1996-97 school year alone, Ontario's colleges and universities lost \$400 million in funding, a loss that translates in constant dollar terms to approximately a 17% cut. Since



then, public funding for post-secondary education has been marginal. As it stands, this government's funding policy will ensure that Ontario's colleges and universities remain the worst-funded higher education facilities in the country today.

The impact of this financial situation for the quality of post-secondary education is all too evident. Most colleges and universities are now operating with diminished faculty and support staff complements. Hiring freezes and layoffs constitute the norm across the province. Class sizes have grown significantly, resulting in less interaction between students and their instructors, while educational choices have been sharply curtailed by a host of course and program cancellations. Libraries do not have the funds to maintain book holdings at needed levels. Building repairs cannot be made or are delayed, posing health and safety threats. Equipment is out of date.

Underfunding has also impeded co-operation among institutions and created an unhealthy turf environment in which institutions point fingers at one another in their efforts to minimize the impact of funding cuts on their particular institutions.

Cuts to public funding of post-secondary education have also resulted in institutions depending more and more on alternative sources of revenue. Institutions have sought, and the government has approved, massive tuition fee increases. In addition, Ontario's colleges and universities must now rely heavily on corporate generosity in order to remain viable. However, such reliance comes at a price. In return for funding, corporations are demanding a greater say in the day-to-day business of our colleges and universities and dictating policy decisions regarding curriculum. With alarming frequency, we are seeing pockets of our public institutions being privatized and funds going toward financing what amount to job training programs for the private sector.

Relying on private sector funding to fill the core funding gap left by government cuts sets a dangerous precedent. Private sector funding is neither stable nor comprehensive, since it is often of a short-term nature and geared to specific programs or projects. At best, it brings temporary relief to a problem of underfunding that desperately requires a long-term solution. More frequently, it compromises the quality of the educational experience by replacing broad and diverse program offerings with short-term corporate interests.

In this regard, we would bring attention of the standing committee on finance and economic affairs to a study done by Robert C. Allen, a University of British Columbia economist, entitled *Educational and Technological Revolutions: The Role of the Social Sciences and the Humanities*. In the study, released by the Social Sciences and Humanities Research Council, Allen describes humanities graduates as having rates of employment and earnings on par with, or higher than, most business graduates and those graduating in high-technology fields. In fact, he argues that the so-called technological revolution is increasing labour market demand for university graduates in the social sciences and humanities.

These findings are in direct contradiction to the policy, tacitly endorsed by the Ontario government, of providing more funding and extra spaces for high-technology programs at colleges and universities while devaluing and eroding program funding in the arts and humanities. In light of this report, we would caution the provincial government that a continued overemphasis on high-technology, private sector job training to the detriment of other programs is a shortsighted strategy when considering the real economic needs of the province.

The government's recent decision to allow private universities to grant degrees will undermine the quality and accessibility of public universities. While the government claims that private universities will provide "niche" services for a "niche" market, the federation maintains that private universities will essentially put post-secondary education on the market. Because private universities will, by definition, be mostly dependent on user fees for their funding, the result can only be higher tuition fees charged to students, combined with deteriorating quality, since this is the scenario most likely to generate the profit necessary to keep private companies in business.

The impact of trade liberalization agreements on the operation of private universities has been articulated by the federation elsewhere. We reiterate our concern that by opening up public services to the international marketplace, we are jeopardizing the long-term funding prospects of our public institutions.

The Canadian Federation of Students recommends that the government of Ontario should provide adequate funding for post-secondary education in Ontario. As a minimum requirement, funding for Ontario's colleges and universities should be no less than the national average.

The government of Ontario should improve funding for research without reliance on the private sector.

The government of Ontario should cease measuring the quality of post-secondary education based on perceived private sector demand. As such, it should ensure that curriculum is neither determined by the private sector nor focused solely on high-technology fields and must cease using short-term private sector employment priorities as a way of penalizing programs offered at public post-secondary institutions.

Finally, the government of Ontario should abandon its commitment to allowing private universities to grant degrees in this province.

#### 1530

Ontario has consistently lacked a coherent tuition fee policy. Instead, tuition fee levels have largely depended on the provincial government's willingness or unwillingness to fund post-secondary education. It is therefore not surprising that students have borne the brunt of the recent cutbacks by way of massive tuition fee increases. Tuition fees have increased by over 150% for university students and over 140% for college students in the last decade. The largest increases have occurred most recently. By the end of this government's first mandate, it was responsible for a 53% college tuition fee increase and a 60% university fee increase.

The increases in tuition, combined with declines in earnings and savings, mean that many avenues traditionally open to students for financing their education are now closed. Many families or individuals can no longer fund post-secondary education through their savings, while a bleak employment market makes the prospect of saving enough to go to school a near impossibility. Many people are now looking at the cost of a degree or diploma and deciding that it is no longer an option for them. Many others, already part way through their program of study, are realizing that they can no longer afford to continue. In either case, the accessibility of Ontario's post-secondary education system is progressively deteriorating.

To make matters worse, the Ontario government, in its 1997 economic and fiscal statement, announced the complete deregulation of tuition fees for graduate and professional programs at universities, for post-diploma programs at colleges, and for other high-demand college programs. The deregulation of entire programs of study within publicly funded institutions has meant massive tuition fee increases. Already, students entering deregulated programs are seeing increases of 20% to 400% in one year. Consequently, we are well on the way to creating a two-tiered system, where the only criterion for enrolment in certain programs hinges on a student's ability to pay. Studies are already showing that students from lower socio-economic backgrounds are being disappeared from programs where tuition fees have been deregulated. Furthermore, Statistics Canada's Education Quarterly Review shows the following:

"One of the most significant findings of the current trend analysis is that there has been a widening gap in university participation by family socio-economic status (SES) as revealed in the 1986 and 1994 General Social Surveys.... By 1994, a wide gap had occurred between [low and middle SES]....

"Our findings suggest that university participation rates have not increased as fast for young people from low family SES background. This factor combined with the increase in tuition fees has created a widening gap between them and young people from more affluent family backgrounds. This finding may have important policy implications surrounding issues such as accessibility and the equality of opportunity."

There is no doubt that these and other findings have motivated the governments of British Columbia, Manitoba, Saskatchewan, Quebec, Prince Edward Island and Newfoundland to freeze or reduce tuition fees in their provinces.

The Canadian Federation of Students recommends the government of Ontario should take the lead of the majority of provincial governments and implement an immediate tuition fee freeze.

The government of Ontario should also re-regulate tuition fees for all programs at public post-secondary institutions and set fees for those programs at levels comparable to that which existed prior to deregulation.

While the most recent statistics show that the overall proportion of university graduates indebted to student loan programs has decreased slightly, we would argue these changes are more likely the result of changes to eligibility criteria for student financial assistance, and the fact that certain students who would have accessed student aid have abandoned pursuit of post-secondary education. Nevertheless, the total debt load of students continues to grow. In fact, studies show that two years after graduation the amount owed to student loan programs has increased by 69% for university students and 89% for college students when compared between 1990 and 1995.

There are reasons for the escalating levels of student debt. Skyrocketing tuition fees have certainly had an impact, as have bleak year-round employment prospects. In addition, the Ontario government cut virtually all forms of grants in 1993-94, thereby forcing most students to rely solely on repayable student loans. Canada is one of only two Organisation for Economic Co-operation and Development countries without a national system of student grants. The combination of these factors on student debt in Ontario should not be underestimated. As it stands, Ontario's post-secondary students are graduating with some of the highest debt loads in North America.

Students wishing to pursue a post-secondary degree or diploma have been required to amass greater and greater debt loads in the form of repayable loans. For many current and prospective students, the prospect of incurring what could amount to lifelong debt is inconceivable. They are simply left with the option of dropping out of post-secondary education or never applying in the first place. From a larger economic perspective, we would also question the logic of saddling students with immense debt loads at such an early stage in their lives. A generation of massively indebted graduates does not make for a bright economic forecast.

Unfortunately, this government's response to the growing need for adequate student assistance, including viable debt reduction strategies, has been the introduction of measures that actually increase student indebtedness and make it more difficult for needy students to access the financial aid they require. Some of the changes have included disqualifying part-time students from OSAP eligibility; forcing students with parental responsibilities on to OSAP by terminating their social assistance eligibility; virtually dismantling child care bursaries; initiating processing fees; requiring credit checks; and now threatening fines of up to \$10,000.

In addition, the government's plan to allow private companies to sell degrees in Ontario will not alleviate the student debt crisis, as the higher tuition fees will undoubtedly force students to borrow more and leave them with higher levels of accumulated debt.

The Canadian Federation of Students recommends that the government of Ontario should provide sufficient funding for student assistance to meet the needs of Ontario's students. Such funding should be separate and distinct from operating grants. The government of Ontario should also offer an enriched Ontario student assistance



program designed to alleviate the debt burden currently facing Ontario's students. Such a system should include upfront grants to help reduce the debt loads carried by students; targeted assistance for students with dependants and/or special needs; expanded work-study opportunities for students to earn while they study; expanded interest relief strategies and debt reduction measures to aid students who experience difficulties during repayment and as a way to reduce defaults.

As part of such an undertaking, the government of Ontario must reverse the erosion of the current OSAP system by providing adequate funding for student assistance to meet the needs of students; restoring OSAP funding for part-time students; restoring child care bursaries for students with dependants; restoring access to social assistance to students with dependants; revamping parental contributions and dependency requirements to reflect current student realities; ending the practice of charging user fees for such things as OSAP information and applications; and ending credit checks on OSAP applicants.

The government of Ontario should also publicly and aggressively call upon the federal government to implement a national system of needs-based grants as an effective tool in the reduction of student debt.

With regard to the millennium scholarships, the federation continues to be concerned about the fact that federal dollars intended to reduce student debt continue to be used by this government to pay for existing programs. While a small concession was made last year allowing students to realize \$500 net debt relief, we believe this is not enough. The Canadian Federation of Students recommends that the government of Ontario must move immediately to ensure that all funds allocated for the millennium scholarship go directly toward reducing student debt in Ontario. No portion of the millennium scholarship should be used to replace funding for already planned or existing programs. The government of Ontario must account for its use of millennium scholarship dollars through reporting mechanisms that are transparent and publicly accessible.

In conclusion, the Canadian Federation of Students has attempted to outline in this brief the negative impact that funding cuts have had on the quality and accessibility of Ontario's colleges and universities. The main issues facing students today are a direct result of the erosion of government funding to post-secondary education, and this must be our primary concern. We believe that the provincial government must play a more effective role in ensuring that students across Ontario have access to a publicly funded, publicly administered post-secondary system. It must also ensure that such a system offers a comprehensive range of programs and services and that ability to pay is not a prerequisite for access.

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It has been estimated that an additional 90,000 students will be entering the post-secondary system over the next several years. It has also been estimated that 15,000 new faculty will be required to meet the instructional demand created by the elimination of grade 13 in

Ontario. Thousands of additional support staff will also be required to maintain the facilities required to house the incoming students.

To accommodate these challenges, the Ontario government must make a commitment to properly fund post-secondary education. This requires the immediate restoration of the \$400 million cut in 1996-97, supplemented with additional funds for increasing the numbers of faculty and support staff and for building maintenance. Such a commitment allows Ontario's colleges and universities to meet the growing demands placed upon them and would stop the trend of increasing tuition fees in order to make up for government funding cuts.

In addition, the provincial government must reinforce its commitment to an equitable student aid system, one that does not burden students with debt loads that could take a lifetime to repay.

Thank you, and I look forward to your questions.

**The Vice-Chair:** Thank you very much, on behalf of the committee, for your presentation. We have about two and a half minutes for a response by each caucus.

**Mrs Molinari:** Thank you for your presentation. Two and a half minutes is not a lot of time to address some of the issues you have raised here today, so I'll focus on just a couple.

One issue has to do with your comments on tuition fees. Tuition fees have been brought back to one third. It's a shared responsibility between the three different parties, so the student is responsible for one third of the tuition. I'd like to hear your feedback on what you think that should be, if you think the government should be totally responsible for that. The tuition fees have also been capped at 2% for the next five years. You've commented on the rising and escalating of tuition fees. Those that have been deregulated are in programs where the earning potential for the student, once that student graduates, is certainly much more. The universities have requested that this happen so that they can provide the programs and not be constrained to set fees. That was in response to some of the universities' requests.

Also in your presentation, I noted you said, "The Ontario government cut virtually all forms of grants in 1993-94, thereby forcing most students to rely solely on repayable student loans." I find this interesting because this is prior to our government coming into office. We often hear opposition talk about what this government is doing with respect to post-secondary education and education, so this was an interesting piece of news in your presentation.

You also commented on "threatening fines of up to \$10,000 for students found guilty of abusing OSAP." This in fact is for those who—

**The Vice-Chair:** There's only 30 seconds left.

**Mrs Molinari:** My question would be your comments on those who abuse the system. Should nothing be done with students and people who are deliberately abusing the system and taking taxpayers' dollars, taking it away from those who are legitimately entitled to it because of those who are abusing the system?

**Ms George:** With respect to tuition fees as a percentage of the operating budgets of universities and colleges, according to the Council of Ontario Universities and the ministry itself, tuition fees now account for 37.2% of the operating budgets of our universities. A decade ago that level was 19.5%, while, conversely, government grants have gone from 75.1% to 52.3%. We think that division of contribution to our universities and colleges is unacceptable. It's actually more than double the percentage of tuition fees in relation to operating grants in the United States, for example, and 37.2% is even more than the Ontario government campaigned on in its Blueprint document in the recent provincial election. That level was 35%. So the government has now exceeded even its own commitment during the provincial election.

**The Vice-Chair:** I'm going to have to move on to the official opposition.

**Mrs McLeod:** It was interesting when Ms Molinari spoke about the government's rationale in allowing deregulation in the areas where presumably people can repay their loans after graduation. I think what your brief was speaking to in terms of the impact of higher tuition fees is the way in which it acts as a disincentive for people ever getting into the programs.

I wonder whether or not you're starting to see some studies, whether there's some tracking about—you've noted a general study about the effect of tuition fee increases on socio-economic levels of people entering university and college. Are you starting to see that becoming even more pronounced? For example, getting into medicine—I understand there's a study at Western where the medical school first-year fees are up to, I think, \$14,000 this year—are you starting to see that the level of family income of entrants is getting higher and higher? I wonder if you could comment on that.

**Ms George:** Absolutely. The Western study is a key example of how deregulation and the resulting massive tuition fee increases are shutting students from low-income and even middle-income families out of the system. We would argue that if earning potential is a factor, that can be addressed through a progressive taxation system once a student has been able to access post-secondary education and complete their degree. We've also seen studies coming out of the universities of Guelph and Waterloo, in addition to Statistics Canada and the University of Western Ontario study.

What concerns us is that deregulation of tuition fees has been slowly progressing. We started first with international students; then deregulated tuition fees were introduced for dentistry students. Now it's professional and high-demand programs. We've already seen that some university administrators, to deal with funding cut-backs by the provincial government, are now advocating for undergraduate tuition fee deregulation. I'm specifically referring to Queen's University as an example. We're quite concerned that deregulation, when it's been implemented, has not stopped simply in those programs, and that it will continue to be implemented across the

system. We need to stop deregulation and actually roll back those tuition fees.

**Mrs McLeod:** You raise the millennium scholarship issue in your brief. Do you have any idea how many millions of dollars the Ontario government has saved by simply taking the federal dollars and using them to offset their loan forgiveness costs?

**Ms George:** It's hundreds of thousands of dollars currently. But of course because the process hasn't been transparent and an audit has not been done, despite our encouragement to both the province and the millennium scholarship foundation to do an audit, those numbers aren't concrete or available yet.

**The Vice-Chair:** We'll move on to the third party.

**Mr Christopherson:** Thank you, Erin, for your presentation. I think I owe you an apology. During the debate on Bill 147, I was reading public comments that you made into the record in favour of opposition—"in favour of opposition"; there's a roundabout way—but supporting the opposition we were putting forward on that bill. I kept referring to you as "he," so I apologize. I'm pretty sure I did that.

I want to turn to what you've said on page 3, and I want to quote from it. "In addition, Ontario's colleges and universities must now rely heavily on corporate largesse in order to remain viable. However, such reliance comes at a price. In return for funding, corporations are demanding a greater say in the day-to-day business of our colleges and universities and dictating policy decisions regarding curriculum. With alarming frequency, we are seeing pockets of our public institutions being privatized and funds going toward financing what amount to job training programs for the private sector." Very powerful statements.

I'll tell you why I'm posing this. There are a lot of people who don't see a problem with the idea that universities and colleges would find alternate sources of income. If that happens to be big business, fine. Any money they can get out of them they'll figure is to the public good, seeing it as some sort of positive contribution to society. However, you're raising an alarm bell, saying, "Hey, folks, what's really going on here is that they're getting to dictate what kinds of courses are being taught, thereby providing private customized training—best in the world—and the public is paying the hook and they're getting it for just a minor amount." Can you give us one or two concrete examples of where that's happening? I think that would sort of shake people if they knew that.

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**Ms George:** Sure. One example is at the University of Toronto. Nancy Olivieri was doing research on a drug for a pharmaceutical company. I believe it was Apotex. She found in the course of her research that the drug was actually detrimental to the health of her patients and came out publicly against the contract—

**Mr Christopherson:** Yes, I recall.

**Ms George:** —against the terms of the research she was conducting, to bring the public's attention to this



dangerous drug. At the same time, the University of Toronto was soliciting a large financial donation from that pharmaceutical company to the university for endowments etc. That is still underway. The university administration and the pharmaceutical company engaged in quite a horrific smear campaign of that researcher. It's a clear case of how when private sector involvement in post-secondary education, and particularly research, is happening, it's being done in the name of profit and not in the name of the public good.

I'll give you another example from my own experience as a student at Ryerson Polytechnic University. I'm a journalism student there and my journalism studies have been done in the Rogers Communications Centre. My lab is the Sun Media newsroom. If I want to compete for scholarships, I have to fill criteria set out by CFRB Radio. My internships are all at corporate newspapers or magazines. I think that's a key example of how it's a training ground not for critical journalists, but actually a training ground for a corporate journalist to go into mainstream media. That's been my own educational experience.

**The Vice-Chair:** Thank you very much. On behalf of the committee, thank you for your presentation. We appreciated your coming forward.

#### CAMPAIGN AGAINST CHILD POVERTY

**The Vice-Chair:** Our next delegation is Campaign Against Child Poverty, if that delegation would come forward at this time. On behalf of the committee, welcome to the standing committee on finance and economic affairs. We look forward to your presentation. For the sake of the record, if you'd state your names at the beginning. You have a half-hour to be used partly for presentation, and what's left over will be divided evenly among the three caucuses.

**Mr Gerald Vandezande:** My name is Gerald Vandezande. I'm the volunteer spokesperson for the Campaign Against Child Poverty. With me is Mr John Buckingham, who is connected with the St Felix Centre, a long-time street ministry in Toronto.

For your information, as the cover sheet on the presentation shows, the Campaign Against Child Poverty is a coalition of faith communities, public interest and child advocacy groups, family service organizations and others who are concerned about the increasing numbers of poor and inadequately cared for children in Canada. For the record, I'd like to mention some of the member organizations, which include the Anglican Diocese of Toronto, B'nai Brith Canada, Canadian Association of Food Banks, Catholic Children's Aid Society of Toronto, Citizens for Public Justice, Family Service Association of Toronto, Jewish Family and Child Service, MAZON Canada, Campaign 2000, from whom you heard earlier today, United Church of Canada, United Way of Greater Toronto, and many more organizations that have increasingly become aware of the urgent need to do some-

thing substantial about the worsening child and family poverty in this province.

I will not burden you with reciting more statistics. I follow the hearings a bit, also here this afternoon, and I'm sure you've heard enough statistics by now that clearly spell out the crisis situation that is developing in our province, and it's a crisis that is developing throughout Canada. I want to speak to that major concern that confronts us in the hope that the government, in its next budget and in the policies it will be developing, will take the bold, courageous steps needed now in order to end child poverty this year.

In recent speeches and interviews with the media, Premier Harris has repeatedly said that Ontario has a booming economy, and in connection with child poverty has made the very valid point that everything must be done, unitedly, in order to make sure child poverty is eliminated. I will not now read into the record all his comments, but we take the Premier at his word that the Premier and his cabinet colleagues, as well as the caucus, want to demonstrate in the next budget that they're very serious about the threat of child and family poverty in this province and that they will do whatever they can.

I want to make a couple of comments in the context of the values, the vision, out of which the Campaign Against Child Poverty, on a non-partisan basis, is dealing with these questions.

We began a few years ago pooling all the resources and information we could lay our hands on in order to put together a comprehensive position as to what could be done in this province and throughout Canada, and in that context began with running two full pages in the *Globe and Mail*, a major statement addressed to our governments that they do their utmost to ensure that immediate action be taken to eliminate child and family poverty.

We followed that up recently with an open letter to the Prime Minister of January 19 in which we spelled out the five conditions we think the government must come to grips with. We're pleased that in the throne speech on January 30, the federal government made some very clear commitments that something must be done quickly with respect to the worsening crisis threatening children. In his reply to the throne speech, the Prime Minister made further commitments. I state those to you because for us in the Campaign Against Child Poverty it has constantly been a question of conscience. As people, as a province, as a government, as a Premier, as faith communities, as community organizations, what does our conscience dictate we do at this crucial moment in Canadian history, and what will the Premier, the cabinet, the caucus, do now that they have the power to do something drastic?

I'm sure all of you are aware of the budget surplus the government ran of billions of dollars, some of which were spent on tax cuts that mostly went to the wealthier people in our province and none of which went to restoring the welfare payments which were arbitrarily cut by the government when it got into power after the first election. We deeply deplore and severely regret that arbitrary decision to cut the income of the most vulnerable

people in our society, and we make an appeal to you again today on behalf of all the faith communities, community organizations and others who, with us, want to do whatever can be done to make sure no one in this province lives below the poverty line and that particularly the plight of vulnerable children, who are voiceless citizens, be taken into much more active consideration when the next budget is prepared.

In that connection, I want to refer for a moment to the major agreement that was signed by all the provincial Premiers and territorial leaders on September 11 in connection with the early childhood development initiative. That was signed by all the provinces, including Ontario. The question I want to leave with this committee, and I'll come back to it again at the end if all goes well, is that no one knows how Ontario plans to spend the estimated \$114 million it will receive from the federal government under the early childhood development initiative. Some believe the funds may be added to particular initiatives the government is thinking about, but nothing has been made public. We are here today to plead with this committee to ask the Minister of Finance and the Minister of Community and Social Services, as well as the Premier and the other members of the cabinet, that they make it very clear how they will spend the \$114 million that has been allocated to the province of Ontario to deal with the threatening crisis of child poverty. I've raised that question because we're also asking the federal government to do much more than it has done in the past and we're asking the other provincial and territorial governments to do what their conscience should require them to do.

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In that connection, I want to draw to your attention again, as I said at the beginning, that for us this issue is a non-partisan issue. Poverty is not an issue that is really "owned" by political parties for their political partisan purposes but it is a human issue. It involves human rights, civil liberties, fundamental needs of children and their desperate families. We make an appeal to you to register that message very clearly and very pointedly with the Premier, with the cabinet and with the government, and when you write your report for the Legislature and make it public, that that central question as to which conscience, which values, which vision and which morality shapes your approach to child and family poverty be clearly outlined, as well as the question I asked a moment ago: how will the government spend the \$114 million it is getting from the federal government, which helps to stimulate and increase its revenue in order to deal with the tragedy of child poverty?

I've raised that question in the context of a statement I want to read to you. "I agree with Premier Mike Harris that, 'The crisis that took place in Walkerton was the one that was most tragic and impacted, certainly, not just the government but ... the whole province in a very shocking way.'

"Another crisis that is 'shocking' and 'tragic' is the government's hard-hearted refusal to restore social assistance for families to house and feed their children."

I read those couple of paragraphs, which I took from the Toronto Star where I published them as part of an appeal to the Premier, to you and to your colleagues to examine what our collective conscience dictates us to do at this historic juncture in Canadian history. We plead that you do whatever you possibly can by way of compassionate policies and by way of generous allocation of funds so that people who are in desperate situations have a real future ahead of them.

The government has been in a surplus position in terms of its expenditures. We plead with you to put a moratorium on tax cuts, to increase the social assistance payments, to substantially increase the support that children and vulnerable families need in order to live with dignity, and that their well-being and their future becomes the bottom line in terms of the values that you seek not only to use in speeches and in reports but also to practise in your budget allocations.

I will leave it at this for now. I'm speaking on behalf of all the faith communities in Ontario. The ad that you may have seen on January 19 included virtually every faith community in this province, every community organization in this province, every organization concerned with the plight of children, organizations that put their own resources, their own money at risk because they believe it is their conscientious duty to do whatever they can. But we plead with the government to do its share.

I'll close with one quote from the Premier, if I can find it quickly. He said, I think it was on October 5, "This cause of child and family poverty is so large and so important that it demands a united approach and a maximum effort from all of us." That's the Premier speaking. We totally agree and we say, government, do your share, do your duty. Exercise your governmental responsibility to see to it that justice is done and that no children fall between the cracks, that no families are being discriminated against, that we end the politics of discrimination and the economics of exclusion and practise the values of human dignity and well-being that have been at the heart of our province and of our nation which we love so much.

**The Chair:** Thank you very much. We have approximately five minutes per caucus. I'll start with the official opposition.

**Mrs McLeod:** I'll begin and then turn it over to my colleague.

**Mr Vandezande:** Would you speak up slightly. I'm a bit deaf.

**Mrs McLeod:** I certainly will. I'm aware, at least I believe that it's the case, that over the last couple of years as we've enjoyed an economic boom, to quote the Premier again, as we look across the country it's only in Ontario and I believe Newfoundland where the numbers of families living in poverty have increased, as opposed to showing some at least marginal decrease. Is that true? Is that the right information?

**Mr Vandezande:** The record that you got and the materials you got from the Campaign Against Child Poverty, which is a member of our coalition which appeared



here earlier, clearly indicate that trend. You are correct—and I'm a cost accountant by background—that given the way the economy has grown, given the amount of revenue the government has collected, given the cuts that have been made in welfare payments and in community support programs, vulnerable children and families are at their worst in this province.

**Mrs McLeod:** It's interesting that cost accountancy is your background, because although child poverty should not be a partisan political issue, sometimes the responses to it are ideological. It was said earlier around the table that one of the reasons for tax cuts is that there will be an improvement eventually of government's ability to meet the needs of people for social programs. I guess my question to you is, do you see any way in which the tax cuts we've already had in Ontario, not to mention the tax cuts that are to come, have actually served to benefit children who are in poverty, working families or others who are living in poverty?

**Mr Vandezande:** The tax cuts and their impact on vulnerable families and poor children—the document filed by Campaign 2000 clearly shows—I think it's on page 6—that the tax savings have gone, by and large, to people in the high-income brackets. The government has not gone out of its way to make sure that any surplus money it has received be designated to help eliminate poverty in this province. In fact, if you take inflation into account, then the poverty rates have worsened since this government got into power.

Our appeal is that indeed it ought not to be a partisan issue and that the government ask itself, particularly the Premier, what in the light of our conscience, of our values that we cherish as a province ought we to be doing in the next budget to make sure that we correct the serious mistakes that have been made and make sure that all people are treated equitably? That may mean, probably must mean, that no more tax cuts go to people who are well off, who are rich, who get much, much more than anybody on modest incomes, and that the big tax cuts that abnormally go to the wealthy be redirected and go in support of increasing the social assistance programs, to community services and the social assistance payments to people who desperately need it who now live on the streets or increasingly stay over night in shelters.

I don't know how the Premier, how the cabinet, how you as people deal with it in your conscience. But our conscience dictates to us that we make this pitch to you, this appeal, that we end the situation once and for all and that there be an all-party effort in the Legislature to make sure that the budget is not a partisan issue but is a confirmation that this province is determined to treat all of its citizens, especially the children, fairly and equitably.

**The Chair:** You still have a minute.

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**Mr Kwinter:** I just wanted to address the question as to what this province is going to do with the money it gets from the federal government. All you have to do is take a look at the national child benefit supplement,

where the provinces have been urging the federal government to participate in alleviating this problem. The federal government comes up with a program, sends it to the province and, instead of doing what it's supposed to do, and that is to supplement the income of these people who require the child benefit, they've deducted it from what they get. As a result, if anything, it's alleviated their responsibility and has taken money directly from these people that was intended by the federal government.

**Mr Vandezande:** I understand what you're saying. I think that position is unacceptable. It's immoral, and I don't use that term—you may not steal from the poor in order to enhance the powerful position of the rich and the wealthy. I think this government owes it to its own conscience and to the future of this province that the \$114 million be used for those for whom it was designated.

The Premier was on the China mission with the Prime Minister and they seemed to be getting along. My hope is that the provincial Premiers and the territorial leaders, united, say, "We're going to spend the money the feds are making available for the purposes for which it was intended, and we're no longer going to discriminate against the most poverty-stricken people in our society." I hope that in the next budget, with a new finance minister and, hopefully, a Premier with a renewed conscientious dedication to the elimination of poverty, we'll certainly make sure that the money is reserved for that for which it was intended: to eliminate poverty and to make sure that there is no homelessness in this province any longer.

**The Chair:** With that, I have to go to Mr Christopherson.

**Mr Christopherson:** On your last point, hope springs eternal, but don't hold your breath. There aren't any real—

**Mr Vandezande:** Just on that, hope is a conviction that we all share, I hope, that needy people should not be ignored, should not be excluded from meaningful participation in society. Hope is that you have the confidence that justice can be done, will be done, ought to be done and that government ought to give that kind of leadership. I think to the degree that the opposition parties, including your own, make this an issue in the House—and maybe we ought to have a repeat of what my member of the Legislature, Alvin Curling, did. That was a sit-in.

**Mr Christopherson:** They changed the rules. We can't do that any more. They changed the rules.

**Mr Vandezande:** Well, you do it anyway. What we need is a public demonstration that our elected representatives share the solidarity that they often express in a visible way with the people who are now homeless, who are poverty-stricken, and find an effective way of demonstrating that. If that means a public protest of some kind in the Legislature or in front of the Legislature, together with all who share the values that the Premier himself has spoken about—either he says what he believes and does what he believes and shows it in his budget or he withdraws and apologizes that he has been misleading the province.

I would like to believe that the Premier will do the right thing. It just passed through my mind that when he was installed or ordained, or whatever you want to call it, as the Premier of this province, his Anglican rector—and I don't have the prayer with me—recited a beautiful prayer that the Premier and the government do justice, act wisely and come out in favour of the needy. I think that needs to be translated into action that demonstrates that the Premier believed what he said, that he will do what he promised and that he will instruct the finance minister to spend \$114 million, and the money in excess of \$1 billion that is available, if they really want to change the face of poverty in this province.

**Mr Christopherson:** I would go further than that. If they really cared, they would have at the very least recognized that it's totally unconscionable to take away 22% of the income of the poorest of the poor and do something about it. They haven't done that. There's affordable housing—they haven't done that. In terms of us protesting, we did that and there were a number of times since then when we wanted to do the same thing, but they've changed the rules of the House.

Let me get in my question and then I'll give you carte blanche to go. I do want to emphasize, though, that Tony Martin, our MPP for Sault Ste Marie, made a very strong statement in that regard as he set aside the robes of being a Deputy Speaker of the House—

**Mr Vandezande:** Personally, I thought that was a tremendous act of conscience. Maybe all the members of the Legislature may have to stand up and say, "Our conscience dictates that we stand here and, united, make it clear that we no longer accept the intolerance that is being demonstrated vis-à-vis the most vulnerable."

I think members within the Conservative caucus—and I've talked to them—begin to feel that way. They know they're not engaged in a Common Sense Revolution that touches the lives of ordinary people in a wholesome way. A number of them are ready to quit and resign, and they wait for the government to do something in the next budget. I hope they follow the dictates of their conscience and challenge the Premier, the new finance minister and everybody else within the party to deliver what they've been saying for so long but have not done.

**Mr Christopherson:** I won't name names, but I could name some of the members of the Tory backbenchers in particular who feel that way and struggle. Unfortunately, there is a majority who somehow manage to get past it and find other ways of it not bothering them. I lived through it, I was here, I refer to it in speeches, I talk about it now, and I have to tell you, sir, as I mentioned to Lyn, I find it surreal that here in Ontario one of the first things a new government did was take away 22% of the income of the poorest of the poor, something they wouldn't dare do anywhere else. What is also a sad commentary is that we, the people of Ontario, let it happen with barely a peep.

**Mr Vandezande:** One can argue about that—and you and I can have coffee—whether it was barely a peep. My concern is that today we resolve to make a new start.

This is the end of your committee hearings. You have to write a report. You have to present that to the Legislature. You have to think through what we, deep down in our hearts, want to say our conscience dictates with respect to the homeless people in the streets of Toronto and other cities, with respect to poverty-stricken families. What are we going to tell our respective constituents, our faith communities, our community organizations that are desperately trying to come to grips with all the crises they daily confront? Are we going to make it absolutely clear that we're going to make a new start in life?

There is hope for this government, as there is hope for Ontario, to the degree that we're prepared to adopt the values of justice and charity and love and concern and solidarity and equity in our fiscal policies so that it becomes evident that this government has a right to govern. But if you abandon the very values this province has historically stood for, if you ignore the people who are suffering deeply daily, then you lose your mandate to govern. You may have it yet for a little while, and my hope is that you will use the balance of your mandate in such a way that the people of this province will say, "We respect the government for having the guts to change its mind, to have a change of heart and to follow the dictates of the conscience that is being informed by a faith commitment, by a value commitment, by a vision that speaks of an Ontario in which we work together for the common good based on public justice for all." If we don't, we're in deep trouble.

**The Chair:** With that, I'll go to the government side.

**Mrs Molinari:** Thank you very much for your very passionate presentation. It's evident that your work within the organization comes from the heart and it's something you feel very strongly about.

You ended your initial presentation, before the questions began, with a quote from the Premier. Certainly, the Premier and this government are committed to—in fact, we've introduced a number of new initiatives that support low-income families and children.

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Ontario's Promise challenges all of the organizations and everyone to come together to support those who are in need. I don't know if you're familiar with some of the initiatives: the early years challenge fund; the Ontario Breakfast for Learning program; Healthy Babies, Healthy Children; Better Beginnings, Better Futures; and there are a number of others.

I want to comment on some of the—

**Mr Vandezande:** Just on those two programs that you've mentioned, they are important initiatives and they make a valuable contribution, but to a large degree they will be dependent for their success on the amount of money that non-government groupings in our society make available.

The question I asked at the beginning is, what will the government do with the \$114 million it will receive from the federal government that is designated by an inter-governmental agreement to help children and families caught in desperate situations? That's the question we're



asking; that's the question we would like to have an answer to. With all the praise I want to give to whatever good initiatives the government has taken, it must address and tell the people of Ontario what it will do with this government transfer from Ottawa. Will it be used for those whom it was meant to help?

**Mrs Molinari:** The budget will indicate specifically what that will be used for.

**Mr Vandezande:** But why wait until May? Why not say tomorrow, "We're going to make a public pledge that the \$114 million pledged by Ottawa that we agreed to in the interim agreement in September 2000 will be set aside, without reservation, for the very purpose it was intended"? That would give people a clear idea that this government wants to be very conscientious about the deals it signed in Ottawa, with Ottawa and the other provincial governments, and say, "We are indeed determined to do what we promised."

**Mrs Molinari:** I thank you for your recommendations, and obviously that's a recommendation you've made here that will be passed on.

**Mr Vandezande:** It was a recommendation that was signed by the Premier. He accepted it. He signed the deal on September 11. It happened to be my dad's birthday; that's why I remember it well. The agreement, what Ontario committed itself to, is very clear. It can't dodge its responsibilities by not telling the people where the money is going to be spent. Don't wait until the budget. Everyone knows. Everyone is waiting for a clear answer.

**Mrs Molinari:** If that's the commitment the Premier made, then I'm sure it will be a commitment that will—

**Mr Vandezande:** I think this committee should remind the Premier that he ought to—

**Mrs Molinari:** And that's what this committee is for.

Before I lose all of my time, I just want to make sure I get in some of the other points I want to make, especially the points you've raised around social assistance and that area. We have a conscience and we believe that the best way to help people is to provide them with a climate where they would be able to help themselves and to give them the renewed hope to be able to do that.

I'm also a very religious person and I spend time reading the Bible. There is a quote that says, "You give them fish and they will eat for a day; you teach them how to fish and they will eat for many days." That is something I think is important to keep in mind, that you don't do things on a short-term basis but you allow people to regain hope in order for them to continue and to be able to have the self-assurance and self-discipline and their own esteem to go on further.

Social assistance is a program that is there for people who are in need. It's certainly not—

**Mr Vandezande:** But we now have people who don't have fish, who don't have bread, who don't have a home, who don't have what they need in order to live. The statistics are there. Indeed, that Bible passage is very relevant. Teach them how to fish, but teaching them how to fish includes giving them the kind of adequate income, the kind of child care, the kind of jobs, the kind of

opportunities that will enable them to take care of their families. If you don't give them the kind of bread, the kind of food, the kind of home, the kind of support, the kind of health care, the kind of community care they need, then we are violating the very passage you quote and we're not following what Jesus said, "Do justice, show mercy, practise faithfulness, demonstrate love, show your solidarity."

Our appeal, as faith communities—on a non-partisan basis—is, go out of your way to demonstrate your conscience and translate it into a commitment that helps take people off the street and makes sure that children are adequately fed, that families are not left out in the cold—we need more and more out-of-the-cold programs—so they can experience the warmth of a justice-loving government and Legislature that are determined to see to it that all people can live freely with respect and with dignity and experience the well-being they're entitled to as Canadian citizens.

**The Chair:** With that, we've run out of time. On behalf of the committee, thank you very much for your presentation this afternoon.

**Mr Vandezande:** Thank you. I'll be glad to engage in further discussion. This is serious and you laugh about it.

**Mr Galt:** No, I'm not laughing. It's just your enthusiasm. I wasn't being nasty.

**The Chair:** I'm sorry. I must go on to the next presenter, because we do have a schedule that we have to meet.

## ONTARIO HORSE RACING INDUSTRY ASSOCIATION

**The Chair:** Our next presentation is from the Ontario Horse Racing Industry Association. I would ask the presenter to come forward and state your name for the record. On behalf of the committee, welcome. You have 30 minutes for your presentation this afternoon.

**Ms Jane Holmes:** Thank you, Mr Chair and committee members. My name is Jane Holmes and I'm the executive director of the Ontario Horse Racing Industry Association. I see a number of faces that are very familiar around the table. I want to thank you on behalf of my industry for allowing me to make this presentation today.

OHRIA is an umbrella organization that represents all major segments of the horse racing industry: the 18 licensed racetracks across the province, the owners and trainers, the horsemen, who are the grooms, the jockeys. I think it's kind of fitting that I'm following the last presenter, in that many of the people employed in our industry are considered marginally employable. Without work in the horse racing industry, they too could be living on the social assistance program of the government. We represent all the breeds in the industry: the thoroughbreds, the standardbreds and the quarter horse industry.

OHRIA's mandate is to seek to further promote the horse racing industry as a vital part of Ontario's lifestyle, heritage and agricultural economy. You may be aware

that the horse racing industry employs over 45,000 people, and that's equivalent to 27,000 full-time jobs. However, many of the jobs in our industry are part-time. The industry spends—and this is just the horsemen alone—over \$1 billion a year, and that makes it the third-largest agricultural sector in the province. We are also a very important part of the gaming sector and we compete with government-operated lotteries and casinos and government-sanctioned casinos and charitable gaming.

Horse racing is a vital component of Ontario's economy, particularly in the rural area. The industry, through OHRIA, has been advocating a comprehensive provincial gaming strategy since 1995. This gaming strategy is still not in place. It must identify the net economic impact of introducing new gaming products and identify the interrelationships between all the various forms of gaming in the province. This would include a thorough consideration and quantitative estimation of potential cannibalization, substitution effects and the complementarities among the various components of gaming. I can say this because as the new forms of gaming were introduced into the province, the horse racing industry felt the impact. As such, the governments of the day have introduced various programs to try to assist the horse racing industry.

We have learned that the Ontario Lottery and Gaming Corp conducted a market assessment of a limited subset of the gaming industry. We believe it's necessary to look at the gaming industry as a whole, because a partial analysis results in a truncated view of the overall industry. In the aforementioned study, the only considerations were commercial casinos, charity casinos and the slots at racetracks. Parimutuel wagering and other forms of charitable gaming, such as bingos, were not considered in this study. Yet both our industry and the charitable gaming industry are highly regulated by the government in their gaming expansion by either the Ontario Racing Commission or the Alcohol and Gaming Control Commission. This creates an uneven playing field between private investors versus government-operated gaming when it comes to expansion.

Again, if there is a provincial gaming strategy, it's important to address not just the direct gaming dollars that go to the government, because that presents an extremely limited view of the impact of any particular gaming activity. In our view, a provincial gaming strategy should be based on a full economic impact assessment which includes direct and indirect employment income and all forms of government revenues, not just direct gaming revenues. In our industry, the impact consideration we are advocating should reflect the impact of our industry on rural communities and the agricultural sector. Only considering the dollars returned to the government in terms of direct gaming revenues is an unbalanced perspective.

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Therefore, we are here to request that until a comprehensive provincial gaming strategy is completed, there be no further expansion of government-operated gaming

venues and new gaming activities in the province. We are particularly concerned about another charity casino in downtown Toronto because of the negative impacts that commercial and charity casinos have had on our sport. This is why we applaud the current moratorium on gaming, which will last until 2002, and we wish that would continue further into the future until there is a comprehensive gaming strategy in place.

Now for the good news. Our industry is being rejuvenated by the government's initiative to reduce parimutuel taxes and the launch of slot operations at racetracks. However, any expansion of other gaming activities in our market area would be inconsistent with these initiatives and work to undermine the positive impacts that have been felt.

Between 1992 and 1998, our industry suffered extensively from a decline in wagering and attendance. In no small way was this exacerbated by the rise of commercial casinos and lotteries. Wagering remained almost unchanged in nominal terms between 1992 and 1998. In real terms, if we adjusted for inflation, standardbred wagering dropped by 14.8% over the same period. While thoroughbred wagering didn't drop the same amount, it did decline by 2.6%.

Several other key variables in our core business which contracted over the same period include the number of participants in the industry. The field size, of course, diminished, the number of standardbred races were reduced, and the number of thoroughbred races stagnated.

But our industry is being rejuvenated and we are a very good-news story. There's incredible optimism in the industry right now that has never existed before. Fresh money from slots and the tax breaks have moved race-tracks from a negative cash flow to a small positive cash flow. We expect that the positive impacts of the tax reduction will be further improved by the end of the industry's five-year breeding lifecycle. What I mean by that is that within this industry, if someone is going to make an investment in a brood mare, for example, it will take three years before they will realize their return on that investment, by the time they are able to sell the horse, because it's a year of gestation, a year before it can be sold as a yearling, and then hopefully in the second year the horse will be able to race at the track.

Parimutuel wagering increased by 5% in 1999 over 1998 and by a further 4.34% in 2000 over 1999. Those are not adjusted for inflation. We have become the envy of every other horse racing jurisdiction worldwide, particularly in other provinces, which are often calling OHRIA asking for help to find out how we developed the partnership with the government so that they could get advice on revitalizing their sagging horse racing industry.

The Ontario government responded to the industry's request to give us the tools and resources to reinvest not only in our industry but also in the province. Since OHRIA took over the administration of the horse improvement program from the Ontario Racing Commission, we have been able to double the program's base funding. This revenue is being reinvested into the horse



race and breed programs, such as the famous Ontario Sire Stakes, which is now identified as the top stakes program in all of North America. This has laid the groundwork for many domestic and foreign investors to develop new businesses in rural Ontario. In fact, an interesting note is that there was an Australian breeding operation looking to set up its base of operation for North America, and they have selected Ontario and will be operational this year. I think that's a big win for Ontario, that we're able to draw international investment into the province for this.

The new revenues have induced the racetracks to embark on major investment programs, sometimes in excess of the new revenues that are being received, to expand and upgrade the facilities and services at our tracks. It is our hope that this investment program will be sustained and will result in a larger revenue base for both the racing industry and the government.

It is our considered opinion that the revenue growth potential for all partners is not being optimized and could be better realized with improved marketing of racetracks as gaming entertainment destination centres. There are positive opportunities to showcase the venues as tourist destinations or growth poles. This will also result in expanding the economic impact of the government's initiatives into the rural areas.

Now we come to the good news. Since we got the parimutuel tax break and the slots, the tracks in Ontario have an average employment of 4,856 people. Collectively, the tracks have spent \$56.2 million on track improvements and upgrades during the past five years and over \$205 million on developing the infrastructure for housing the slots. That's all private investments from people involved in the industry. These capital expenditures have generated substantial temporary employment, incomes and tax revenues at the tracks and in the economy at large. The capital expenditures on upgrading and rehabilitating the tracks have contributed \$67.1 million in income, a total of 939 person-years of employment, and \$24.8 million in taxes. In addition, we have the capital expenditures on the tracks for creating the facilities to house the slot machines, and that's contributed \$247.7 million in income, a total of 3,466 person-years of employment, and \$91.6 million in taxes. The combined total of this is over \$315 million in income, almost 4,500 person-years in employment, and a total tax revenue of \$116.4 million to all three levels of government.

We had advised the government that if we were given the tools, we would reinvest in Ontario and our core business. I believe the figures I've just identified have demonstrated that the horse racing industry has lived up to its commitment.

It also gives me great pleasure to report that the horse racing industry has taken a very proactive approach in promoting responsible gaming. We have partnered with the Canadian Foundation on Compulsive Gambling in outreach and public awareness programs. We have also recognized our leadership role in rural Ontario. We recently made a major donation to the Ontario 4-H Foun-

dation to help the leadership of young people in rural Ontario.

I want to thank the committee for their time. I urge the government to move forward on a comprehensive provincial gaming strategy so that the jobs that have been created by the private sector are maintained and not put in jeopardy by expanding the government-operated market without first understanding the implications of doing so.

**The Chair:** Thank you very much. We have five minutes per caucus, and I'll start with Mr Christopherson.

**Mr Christopherson:** I thank you for your positive report today, as a member from a city that now instantly has a racetrack. I'm from Hamilton. Flamborough is now a part of Hamilton and we now have a racetrack, us Hamiltonians.

**Ms Holmes:** You do, the fabulous Flamboro Downs.

**Mr Christopherson:** Absolutely, an important part of our community.

You mentioned on page 2, and I'm quoting directly from your report, "Ontario has become the envy of other horse racing jurisdictions worldwide, but particularly in other provinces who have called upon us to provide advice on revitalizing their sagging horse racing industry."

Can you just expand on that a little bit and give me a better sense of what's going on in other provinces?

**Ms Holmes:** Absolutely. One of the things you're probably all aware of is that this industry is historically known for being fractious and having infighting take place. Under the umbrella of OHRIA we have brought all the parties of the industry together to speak as one voice. We resolve the issues internally and we're able to identify and plan for our future so that we were able to bring forward to the government the types of tools we needed to reinvest in and rejuvenate the industry.

I personally have gone out to the Maritimes to help them in setting up an OHRIA. In fact, I just came back from Alberta this past weekend, talking to them about how the industry needs to develop a plan for their future.

**Mr Christopherson:** Are they structured similarly in the other provinces? I don't know a lot about the racetrack business.

**Ms Holmes:** They are structured somewhat similarly. I think the difference is that in Ontario we see the government as our partners. You are our competitors, but you're also our partners. Unfortunately, that hasn't always been the case in some of the other jurisdictions. The perception that they're a dying industry has been taken internally, instead of saying, "We can get out of this circle."

Horse racing is regulated federally by the Canadian Parimutuel Agency, and then all the provinces have a provincial regulator as well.

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**Mr Arnott:** Thank you very much. I appreciate the information you've provided to us. It's interesting to see how your industry has turned round since we came into office and certain changes were made to assist you.

But like you, I'm concerned about gambling addiction. I know you made reference to it toward the end of your brief. I was wondering if you could give us a little more information about the kinds of programs that you are supporting to assist what you'd call promoting responsible gaming, saying that there are public awareness programs and outreach programs. Could you tell us a little bit more about what those entail?

**Ms Holmes:** Sure. One of the things we did is that we copied the casinos in having a self-exclusion program, so if people have identified themselves as having a problem, they could request to be banned from not only our racetracks but our teletheatres. We have a bit more difficult situation in enforcing it because we don't have security cameras around all of our facilities to the same degree that they do at the casinos or the slot operations. But we've developed a poster campaign called Know When to Take the Reins. For information on responsible gambling, they phone the Canadian foundation.

We were also the first gaming industry in the province to actively promote the provincial problem gambling helpline. In fact, I guess a bit to our detriment, it looked like a lot of the people who were phoning had problems with parimutuel as the vast majority. But it was just the success of our promotion of the line that resulted in those types of numbers, because in other statistical studies, it's shown that in terms of gambling, parimutuel is statistically insignificant.

We have pamphlets that are made available. We're currently putting together a video for training all the staff. The problem we have is that we're so dispersed throughout the province, particularly with the teletheatres, it was difficult to bring people into one location to be able to train them. So we're looking at videos. We're also talking to the foundation about putting together a video that would be shown on the TV screens that would be directed directly at the customers, so if they do have a problem, they would be able to get the information there and know how to deal with it.

I personally represent the industry on the Ontario partners for responsible gambling, which is the Ministry of Health and all the various gaming venues.

**Mr Arnott:** The government is setting aside a certain percentage of the revenues from gaming. Is it 2% of the slot revenues?

**Ms Holmes:** Two per cent of the slot revenues go toward problem gambling education and treatment programs.

**Mr Arnott:** Research as well?

**Ms Holmes:** Yes, that's correct.

**Mr Arnott:** Again, thank you very much for your presentation.

**Mr Kwinter:** Hi, Jane. I'm just delighted to have you here and to have your presentation. Members may not know, but I was the minister responsible for implementing the racetrack assistance program in 1985. That was at a time when the horse racing industry was in real trouble. The reason they were in real trouble, of course, is because at one time they were the only game in town. If

you wanted to gamble, you could only do it at a parimutuel racetrack. Then with the advent ofingos and lotteries and casinos, it really had an impact on the racing industry.

First of all, the biggest problem is that there were no young people coming to the tracks. It was all people who had been used to horse racing, and they were the ones who were there. The racing industry was in deep trouble. They were having, as Jane has already pointed out, trouble attracting purses, trouble attracting horses.

This industry has far-reaching benefits to Ontario, without the gambling. I'm talking about, and it's already been alluded to, the fact that many of the people who work in the backstretch are virtually unemployable other than in this industry. There's a huge spinoff for the agricultural sector in the growing of hay, in the raising of horses. If you fly over Ontario in a small plane, you see all these tracks. It's too bad our colleague Mr O'Toole isn't here, because on our trip he was telling me that he had no idea of the extent of tracks and horse-breeding in his particular riding until someone took him on a tour. So it's a very important industry. In the agricultural sector it's number three. It's very important. I don't have to tell Dr Galt, who's a veterinarian. He would certainly know about that as well.

The point that I'm trying to make—and I'm not asking a question because I agree with everything that you've said—is that what is critical, and the reason the government made the decision to put the slots into the racetracks, is that it solves lots of problems for them. Number one, in any community, particularly in Toronto, there is a large number of people who are opposed to casinos. By putting it out at the track, which already has a gambling component, it takes it away from, say, putting it in downtown Toronto, where people may object, and it gives it to an industry that's used to dealing with gambling. It has the culture, the infrastructure to deal with that. So that is really important.

I have seen, and I encourage any of you to go out there to see it, the dramatic difference in what has happened as a result of the racing industry being allowed to bring in slot machines. Not only does it provide a gambling venue for people, but it has immeasurably helped the industry. Suddenly the purses are bigger, the number of races is greater. It's a win-win for everybody.

The problem, and this is a point that I'm sure Jane has been trying to make about everything else, is that now that we're on a roll, you can't kill the goose that lays the golden egg by providing competition literally from the same people who regulate it. The government would be the competitor if they put in these casinos, and until there's a real impact study as to what the result is going to be, I think it's absolutely critical that that be brought to the attention of people.

We see it in Windsor right now. With the advent of the casinos in Detroit, the Windsor casino is still doing well, but it's not doing as well as it used to. That may even get worse as more and more operators come into that area.



I just wanted to say that I'm totally supportive of your position and I wish you well.

**Ms Holmes:** Thank you very much. I'd also like to note for everyone here that the investment that the industry has put in to developing the infrastructure for the slot operations at the racetracks is equivalent to what the lottery corporation has been putting in as well, so that we truly have been equal partners in this one. That's why, as partners, we don't see that we should have the opportunities and the market diminished by the government putting in competition down the road, which has happened in the Chair's backyard with the Point Edward casino for Hiawatha racetrack. We've seen the numbers drop there since the table games have gone in at Point Edward.

**The Chair:** With that, on behalf of the committee, thank you very much. It's always nice to see somebody from the constituency.

We're running about five minutes ahead of schedule, so we'll recess for about five minutes until the next presenters show up.

*The committee recessed from 1648 to 1656.*

#### CANADIAN UNION OF PUBLIC EMPLOYEES—ONTARIO DIVISION

**The Chair:** If I can get your attention, we'll bring the committee back to order. Our next presentation is from the Canadian Union of Public Employees, Ontario. I would ask the presenters to come forward and state your names for the record. On behalf of the committee, welcome, and you have half an hour for the presentation.

**Mr Sid Ryan:** My name is Sid Ryan, the president of CUPE Ontario. On my left is Judy Wilkings. Judy is the legislative liaison for CUPE Ontario. On my right is Shannon McManus, who's a researcher with CUPE.

I'd like to thank you for the opportunity to present the views of CUPE Ontario with respect to what the Ontario government should do in its upcoming provincial budget. The provincial budget has a significant impact on CUPE members, both directly as workers in the broader public sector and as residents of the province. We are deeply concerned about the provincial government's economic policies, particularly around privatization, deregulation, the elimination of public services, tax cuts, downloading and funding cuts.

We believe the economic outlook is bleak. A recession appears to be on the horizon. Stock markets around the world went into a tailspin earlier this week. Nortel's slide shook up the markets. Daimler Chrysler and Nortel are laying off thousands of workers in Ontario. We've seen, for the first time in quite a while, Ontario's welfare rolls are rising again—4,500 people last month alone.

Hello, John. How are you doing?

**Mr O'Toole:** Hello. How are you?

**Mr Ryan:** Pretty good.

The Ontario tax cuts, we believe, have not created this so-called economic growth. Economic growth, as we've been saying all along, has been due to exports and the booming economy down in the United States. Now that

they've gone into a tailspin, guess what's happening? Ontario is following suit. The government must be prepared for an economic downturn. Cutting taxes is not the answer. Tax revenues should be invested in public services, including a strong social safety net, to prepare for tougher times.

We believe a strong public sector contributes to a strong economy. The government's tax cuts have had an impact on the quality of public services. Ontario's cities are in financial difficulties because of downloading, amalgamation and cutbacks. Schools and students are damaged by a rigid and inadequate funding formula. Social service agencies cannot provide the quality of service they have in the past. Child care centres are closing. The quality of emergency hospital services has fallen.

More tax cuts, we believe, are extremely foolhardy. Personal and corporate tax reductions have already cost our province \$35 billion since the Tories got elected. The majority of these benefits have gone to the wealthiest people in Ontario. User fees and delisting of services mean that poor and low-income citizens cannot afford to pay.

At the same time, the government continues its attack on the poor, in particular, people on social assistance. During the most productive period of time in our history with respect to growth in the economy and wealth—in the last five, six, seven years—we have not seen a single penny go into welfare payments. As a matter of fact, we think it's quite disgraceful that you didn't even reach the cost-of-living increases for people on assistance at a time when corporations and businesses were making profits in this booming economy in the last number of years. As I say, it's due to what happened in the United States and has nothing to do with what the Tories did in this province. Not one single penny was put into the minimum wage; people were earning \$6.85 an hour. In the United States, during the same period of time, the minimum wage was increased on at least two occasions.

We believe the budget reflects the priorities and values of the government, and it is possible to make other decisions. We urge this government to reinvest in public services, like health, education, municipal and social programs.

We see a tremendous push to privatization in all of our sectors. We believe this government is the most interventionist in the history of this province. Its policies continue to have a dramatic and negative impact on every part of the public sector. The government has centralized control and interjected itself into the broader public sector. It is pressuring every sector to hand over services to private, for-profit operators. Amalgamation, downloading and funding cuts are designed to force cash-starved cities, hospitals, schools and universities to contract out and privatize services.

The government continues to be committed to the privatization of public services, despite public opposition. For example, we all know that both in Ontario and across Canada, Canadians and Ontarians will not accept a two-tier health care system, yet we've got Tony Clement,

under the darkness of night, flying across to the UK to take a look at their disastrous health care system. I know about it first-hand. I've lived there and have seen it. Believe me, it's a shambles and it's nothing that this country wants to emulate, yet Tony flies across and he figures he can come back with some of the policies that destroyed the health care system in the UK. Just today and yesterday, your Premier was out front saying that he too would like to see an increase in the amount of privatization taking place in the health care system.

We believe privatization will inevitably cost taxpayers a great deal more as profits go into the pockets of individual shareholders. Privatization also leads to job loss and lower salaries and benefits. This province cannot afford to have more good jobs replaced by so-called McJobs. This province cannot afford to lose service quality because directors are paying attention to the bottom line. Privatization is bad for the average taxpayer, bad for workers and bad for Ontario's economy. Privatization is far more dangerous now because of globalization and trade agreements where it increases the danger of a foreign takeover of Canadian assets and services and increases the likelihood that large private monopolies will gain control, private monopolies that can hold the public to ransom. Instead of privatizing, we encourage the government to rebuild the public services that serve as the foundation of this province's prosperity.

Amalgamations, downloading and reduced-funding legislation, such as Bill 140, have created a crisis in Ontario's municipal sector. Right now, municipalities are relying on money from the OMERS pension plan. The 7% they've received in windfalls from the OMERS pension plan will soon disappear once the surplus is eaten up. That's going to place municipalities in a crisis when they try to find that additional 7% to pay pension plan contributions, which they have a break on right now.

Bill 140 prohibits municipalities, for example, from raising property taxes on the business community. This is grossly unfair to homeowners, who are now asked to share the complete responsibility for all the downloading: GO Transit, social housing, transportation and welfare are being picked up by homeowners. We cannot see the logic, for example, in having a taxpayer or a homeowner in the city of Toronto subsidize a commuter who gets on the GO Transit system in, say, Pickering and takes the GO Transit system out to Oshawa and somehow that's subsidized by the homeowners in the city of Toronto. That makes no sense whatsoever. It makes no sense that General Motors can lay off some of its workers in Oshawa, who eventually find their way on to the welfare rolls, and if you happen to live in the GTA or in the Toronto area, homeowners in that area pick up the costs for private sector corporations laying off their workers. That makes no sense. There have to be alternative revenue streams that are available to provincial governments, and we lend our voice to a lot of those people who are calling for a portion of the gas and the transportation taxes to be transferred into municipalities so that they can deal with the downloading created by this government.

Just recently, we had a report card on children released—in fact it was earlier this week—and it found that the infant mortality rate for the city of Toronto is 30% higher than in the rest of Ontario. The number of children on waiting lists for subsidized child care has grown to 1,400. The report found that poor children's health is declining because of a lack of affordable housing. Six thousand children are homeless. Despite all this, the municipality is considering eliminating a prenatal care plan that feeds hundreds of pregnant women, break-fast clubs that feed 4,500 children and a dental care system that serves 32,000 low-income children and seniors. This disaster can be directly traced to the lack of provincial funding.

We call upon the government to stop pressuring Ontario's municipalities to adopt contracting out, competitive bidding, public-private-sector partnerships and other forms of privatization.

In post-secondary education, Ontario has led the way among provinces in cutting funds to universities. Since 1990, funding cuts have led to a loss of 1,000 full-time faculty and 1,100 full-time non-academic staff. At the same time as staff has been cut, student enrolment has increased by a third. We now have larger class sizes, higher workloads for faculty and staff and reduced services for students. University libraries now buy 25% fewer books than in the 1970s, while journal acquisitions have been cut even more dramatically. In Ontario, tuition fees have more than doubled over the decade from an average of about \$1,700 in the early 1990s to almost \$4,000 in the year 1999-2000. The average student debt load for a four-year undergraduate program has tripled from \$8,000 up to \$25,000, and it continues to grow.

We would urge that the government restore public funding for the post-secondary education system so that students do not face crippling debt loads upon graduation. We'd like to see them freeze student fees and lower tuition. We'd like to see the government establish a fully funded student grant system and eventually move toward the elimination of user fees altogether, similar to what they've done in 14 OECD countries. Certainly in the place where I was born, which John is very familiar with, they've got free university education, which has contributed to the economic boom in the Republic of Ireland. That's a system we should be moving toward, not tuition increases which are depriving a lot of low-income families and families of modest income of the ability to send their children to a post-secondary institution. We should not be allowing the corporate sector, for instance, to take over our university assets through our SuperBuild fund where many dollars are being filtered into private sector-public sector partnerships, which again are driving up the costs of university tuition in this province.

In the health care area, we want to take a look at a couple of the problems. CUPE recently surveyed the front-line staff in chronic care and former chronic care facilities. Over half reported performing unpaid work and 79% reported the workload was hurting their health.



Many staff reported patients who could not get out of bed or their wheelchairs due to a lack of resources. Not surprisingly, where the government had cut the funding, front-line staff reported even more problems with unpaid work, workload and patient care.

At the beginning of February 2001, the government was forced to recognize that its chronic care policy was not working. The government announced that four facilities in Toronto and Hamilton that it had planned to convert to long-term-care facilities would now remain open as chronic care facilities. While we appreciate the government has partially recognized its error, it continues to ignore similar problems elsewhere.

Take, for example, St Vincent de Paul Hospital in Bob Runciman's riding in Brockville. It is suffering from severe underfunding. Thirty chronic care beds in St Joseph's in Guelph are becoming long-term-care beds. In Ottawa and Windsor, whole facilities, like the Perley and Rideau Veterans' Health Centre and Malden Park, are being converted to long-term care with funding chopped in half. The patients are not changing; they just get less care.

The government must stop the conversion to long-term care, stop the cuts in chronic care beds and stop funding chronic care beds at an inadequate level. Clearly, what this means is, chronic care hospitals are funded at approximately \$200 per day per individual in those chronic care hospitals. Moving into a long-term-care facility means those same patients will now receive approximately \$100 per day toward patient care. Clearly it is not enough.

One I'm very familiar with is the community care access centres. We released a report in CUPE. If there's anything that particularly underscores the bankruptcy of the government's policy with respect to privatization, this has got to be it. Privatization of CCACs has taken \$247 million out of the industry. It's a \$1-billion industry right now. What we've discovered through our in-house survey of front-line workers, supervisors and patients who receive the care is that, for example, in most of the communities you've got 16 agencies now delivering home care. These agencies, each and every one of them, has a CEO—you've got senior managers, you've got a financial department, you've got a human resources department, you've got front-line supervisors, for all 16 of these agencies. Replicate that now across 44 CCACs across Ontario and you've got a disaster on your hands.

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This is the government that says it came to fix government, that says it came to eliminate red tape. You've just put a mountain of red tape into the home care sector of this province. You've completely privatized it. You've taken out of existence organizations like the VON, which have been delivering home care, say, in the city of Windsor for 75 years—one organization, one agency with one set of CEOs, one set of front-line managers, one set of senior managers and one set of financial officers. That's all it took to run the system. You've now given them 16 sets of all of those. You've duplicated it. You're

taking money out of the system. Money that should be going into front-line care, into home care in all of our communities is now going off in duplication and in profits for each of these agencies that you've put into a competitive bidding model.

Plus, now you've got to have a monitor in place to make sure there is no fraud in the system, because the tendency is to start billing people in their homes inappropriately. There is one company that you gave the service to in Windsor, Olsten, which was sued by the American government for defrauding the American health care system of US\$60 million. These are the folks who are now operating the home care system in Ontario. And there are no savings to be had. A quarter of a billion dollars is coming out of the system in waste, which should be redirected to the front-line system.

We would urge a complete overhaul of the competitive bidding model. We'd take a look at this duplication that you've built into the system; jobs for the Tory boys, the backroom boys. We say, get them out of the system. There is no place for the private sector in the delivery of home care in Ontario. If we take them out, we will save ourselves a quarter of a billion dollars a year. Let's put that where it should be put, into the front-line services.

In the area of pay equity, employers are expected to cover pay equity adjustments without additional funding from the government. Here again we're finding that female workers in child care centres, nursing homes and social service agencies are being denied legislated pay equity instalments because this government has refused to continue the funding of these monies. Several agencies may close because they cannot meet their pay equity obligations. We're finding this at the bargaining table time and time again, where women in particular are being forced to make a decision between maintaining their job or going after the pay equity increase which they're entitled to under legislation. This government is refusing to fund its pay equity obligations, and it's time in this budget that you recognize that these agencies are in desperate straits trying to meet their pay equity obligations, keep their doors open at the same time and deliver crucial services, such as the services for people with developmental handicaps.

The government should increase the funding for the front-line services for people with developmental handicaps. A typical wage in this area is less than \$15 an hour. Workers in this sector have been undervalued and under-compensated for their work. Last year KPMG—no socialist organization, I can assure you—released a study that showed that workers in this sector earn 20% to 25% less than their counterparts in other sectors.

Burnout is increasing because staff are working at more than one job to make ends meet. Community agencies are having trouble recruiting and retaining workers. Agencies have been forced to close programs because they cannot find trained, qualified staff, because they won't work for less than \$15 an hour. These are all post-secondary-educated individuals who won't work for that kind of salary. The study found that facilities are finding

it increasingly difficult to maintain stable care because of the rapid turnover of staff.

This sector provides support for some of the most vulnerable members of our society and their families. We urge the government to provide agencies with enough funding to stop this crisis.

Finally, I just want to talk briefly about the environment. The government's Red Tape Commission's Web site features a cartoon illustrating what the government considers to be red tape: permits, audits, guidelines, certificates, rules, forms, investigations and approvals. We urge the government to put more money into "red tape" that can protect our environment: the water we drink, the air we breathe. Inspections, investigations and approvals are not red tape; they are necessary.

Municipalities should receive more money for water and sewage infrastructure. Polluters should be held accountable for the damage they do to the environment, and for the sake of our health and our children's health, we need to have proper protections put in place. You may call it red tape; we call it protection for the quality and the standards of drinking water in Ontario.

With that, I've finished my presentation and I'll be more than happy to take questions.

**The Chair:** Thank you very much. We have three minutes per caucus, and I'll start with the government side.

**Mr Galt:** Thank you for your presentation. It's obvious from your comments, I don't think we've been doing anything right in the last six years, but we keep trying.

I notice you didn't mention, and I think it's important to recognize, that this last year public service unions increased by an average of 2.5%, up from 1.9% the year before. That's the first time in a long time that the public service unions pulled ahead of the private sector unions. Last year it was 2.3% for the private sector and the year before it was 2.6%.

But in spite of the fact that you're telling us we haven't done anything right, we have developed a reputation of doing what we said we were going to do in the Common Sense Revolution and again in the Blueprint. We have been carrying those out and the public has had the opportunity to see what we were going to do. They really didn't quite believe that when we came out with the platform in 1994, a full year ahead of the election. They elected us and were quite surprised at the fact that we did do essentially what's in that platform. Again, we're heading pretty well through the Blueprint that we came out with in 1999.

If we were to follow the recommendations you have here, it would be basically the experiment that the Ontario government went through from 1985 to 1995, when the debt increased three times. As a matter of fact, in the early 1990s, that five-year term, the debt more than doubled and that was more debt than had occurred in the province of Ontario since the beginning of time.

In spite of all that, I have to congratulate you on putting your name on a ballot and coming out. You are very

persuasive and enthusiastic in your position. You did put your name on a ballot and an awful lot of people are very reluctant to do that, so I congratulate you for coming forward in the 1999 election.

**Mr Ryan:** You talked about doing what you promised to do. I don't recall anywhere in the Blueprint or the Common Sense Revolution where you said you would ask the most vulnerable workers in Ontario to work a 60-hour workweek, for example. I don't recall anywhere where you consulted with people and said, "Your overtime will be averaged over a three-week period, where we'll take away overtime from people earning minimum wage and average it over a three-week period."

I don't recall your coming in and saying you would introduce privatization into the health care system, as you have done in the home care sector, for example. I don't recall your telling people that you'd cut the Ministry of the Environment staff by at least 50%, resulting in the crisis in Walkerton, the likes of which this county has never seen. I don't recall any of those promises whatsoever, Doug. You can spin it as you like about "We did what we said we would do."

You said you would get red tape, for example, out of some of the systems. As I've indicated to you, you've introduced a mountain of it into home care facilities, resulting in a quarter of a billion dollars a year being siphoned off to your friends in the private sector. I don't recall your saying that to anybody at all in the system.

In terms of wage increases that you say we may have received in the last year, I will remind you that in the public sector we have taken wage decreases for the last 10 years. When you factor in inflation, over the last 10 years there have been no wage increases whatsoever; when you factor in inflation, instead we've taken a decrease.

So now we're seeing an increase for the first time in 10 years, averaging about 2%. This was about the time when the Tories tried to introduce a piece of legislation giving themselves a 42% wage increase for that same period of time.

**Mr Galt:** There's been no increase.

**Mr Ryan:** You may not have supported it, but you did do it. You tried to get away with it until the public outcry forced you away from doing it.

I do appreciate your comments about putting my name on the ballot. I got my butt kicked, but hey, it was a lot of fun.

**Mr Kwinter:** I'm tempted to refute some of the things Dr Galt said about them carrying out their plans, because there's a whole range of things that were never mentioned in the Common Sense Revolution that you immediately implemented and now you're backtracking on, things like, "We will not provide amalgamations unless people want them." That had no impact at all on what happened in Toronto. You said, "This is it; too bad." Even though over 75% of the people in a referendum said they didn't want it, you still went ahead with it.

Having said that, earlier in these hearings we talked about the community care access centres. I mentioned a



situation in my riding where the operators decided to terminate a contract they had and the sole criterion was the bottom line. I mentioned to the committee that I'm caught in the middle. I have been getting calls from the providers, who have been told that the contract is terminated and they're out of a job, and I'm getting calls from the patients, who say, "I had this wonderful relationship with my health care provider and now they tell me that they're no longer going to be servicing my needs because someone else got the contract." That was last week.

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I thought this was something that would sort of pass over. If anything, it's gotten worse. Because I have been in on these hearings—and, as you can see, most of the time I'm here by myself—I go back to my office and the pile of pink telephone call slips keeps getting bigger and bigger. Every time I go through them, 80% of them have to do with this one issue. If this is an indication of what is happening and what is going to happen with the privatization of some of these services, where patient outcomes are of no concern—it's really, "How can we make the most money?"—then we have a problem. I know you probably agree with me, but do you have any comments on that?

**Mr Ryan:** I'll get you a copy of the report we released, because it's chockablock full of stories similar to what you were just talking about.

I'll give you an example. What happened essentially is that under the NDP government you had the MSAs, the multi-service agencies, which was essentially one-stop shopping where you had one agency, for all intents and purposes, delivering all of the services, and they could coordinate the visits.

Today what they do is they take the service—it very well may be drawing of blood—and they will have that off to one of the private sector companies. Somebody else will have the contract for providing home care services. Somebody else will have the contract for therapies, whether it be massage therapy or whatever. Before, it was all done in-house by one group of folks. Now you'll have two or three people making home visits to one individual.

One of the stories we found out last week was the drawing of blood. One has a contract to draw it intravenously; they put a tube in the arm and it can be drawn out on a regular basis. Other folks have a contract for drawing blood directly, right from the arm itself. We had a supervisor sitting in a home who said he was not qualified to draw blood from the arm but he could draw blood from the intravenous feed in the arm. So the supervisor made a 40-kilometre trip to the home. One of the employees made a 40-kilometre trip to the home. Neither one of them had the contract to transport the blood from the person in the home back to the CCAC to send it off to the facility to have it tested. When you add up the time lost, the duplication, you can see where we come up with this whole \$247 million.

There are numerous stories of front-line workers like that. Ordering of supplies, for example: now they cannot talk to the supplier. In the past, the front-line worker, the RN or the RPN, was able to call directly to the suppliers to get precisely the materials they needed. Now you have to call the agency that you work for. The agency has a requisitions department. They call the CCAC. The CCAC checks back with the employee to make sure that this particular material is needed. They call the supplier. The supplier invariably sends out the wrong material. It travels all the way out 40, 50 kilometres to the home care worker. They get it; they see it's the wrong material, not what was requested. So the cycle starts all over again. That's duplicated, they say, on a regular basis throughout the system. So the system is a shambles. It has to be completely reformed.

**The Chair:** I have to go to Mr Christopherson.

**Mr Christopherson:** Thank you, Sid, for your presentation. I'm sure you've read the paper this morning, where the Premier said that any ministers who have spending pressures that they want to bring to cabinet had better have offsetting cuts within their own ministries.

Leah Casselman was in earlier on behalf of OPSEU, and I asked her the implications for communities like mine in Hamilton and others. I know you travel just as extensively across this province as any member of the Legislature, arguably more often, because your job is to be out there and you don't have to be here.

I'd like to get your sense of what it means for, in particular, municipal services. One of the reporters asked me that: "What's the impact on local services?" My sense of it—I mentioned and I went on at great length about health care, but education is the same way. They're all under tremendous pressure just to meet existing circumstances, never mind start moving into the investment end of things of where we ought to be. They need new money just to hold their own, which is, as I say, already somewhat back from where we should be.

What could anybody who is watching or who reads the Hansard expect, in your opinion, if the government on the ground, in our communities—it's what I call kitchen table economics. What can they expect in their communities if indeed these ministers start to put forward new expenditures just because they absolutely have to, but are making corresponding cuts? What are the implications for the average person, their family, their neighbourhood, their community?

**Mr Ryan:** We're actually beginning to look at this problem. We're taking surveys of all the sectors where cuts have been implemented. We've done school boards, children's aid societies, associations for community living, and people who deliver the workfare program, welfare workers. We've measured the impact of the cuts on those individuals with respect to their health personally with massive increases in stress, which is not compensated because the Tories removed chronic stress from workers' compensation, from being compensable—people going out sick, headaches.

Recently we had one of our social service workers in court being charged with failure to conduct her job in an appropriate manner. She managed to get cleared of the allegations, but the workload resulting from changes the government has made—some of it good, by the way, Doug. There were some changes around children's aid and reporting of children at risk of abuse, and that was positive. But it increased the workload tremendously because there are a lot more calls coming in now where doctors and teachers and nurses and public health officers have a greater responsibility to report.

Workload is really, really a problem. For example, in the education system in the early 1990s, for children with special needs, we had one on one. We had educational assistants whose job was to deal with those children with special needs one on one. Now it's one on four. So it's four children with special needs to one educational assistant. Clearly, they cannot deliver the same quality of service as they were in the past. This is the implication and the fallout of funding cuts.

Now we're beginning to measure the fallout on the individual person delivering the public service, and it has taken its toll on health. We had a special conference just last weekend in CUPE, a workload conference. We brought in international speakers to examine this phenomenon, which began about five or six years ago but is now manifesting itself in illnesses and sicknesses and people not reporting for work. So it's a huge problem that we're experiencing and I think we're going to see more of it if there are more cuts in the future.

**Mr Christopherson:** I just want to say and get it on the record that every labour leader or economist that spoke for their unions, every one of them, has raised the issue of the minimum wage. I just want the record to reflect that there's no political benefit to any of these labour leaders, because none of the people who are affected by minimum wage can vote for them. The only people who are coming in here and speaking about minimum wage needing to be increased are the elected officials and staff of unions, and that's to your credit, all of you.

**The Chair:** With that, I have to bring it to an end. Thanks very much on behalf of the committee this afternoon.

**Mr Ryan:** Thanks a lot.

**The Chair:** We've been informed by the Ontario Forest Industries Association that they will not be making their presentation this afternoon. They have cancelled. I guess that brings our hearings to an end. However, there are a few items of business.

First of all, I would like to thank the staff and the committee members for their co-operation during the past eight days. I think for all the members and the staff it's been quite demanding, but I certainly appreciate all your co-operation.

**Mr Christopherson:** On a point of order, Mr Chair: I don't do this lightly because you and I have crossed swords before, but I just want to put on the record that you've done an outstanding job of chairing. You've found one of the best touches I've seen between being able to keep us on track and yet still finding that 30 seconds to let people wrap up or make a comment.

It's a roundabout shot at you, Doug, but I would have done this anyway, because I think you could have done that. That's not why I'm doing it. It's to compliment Marcel. Really, you kept us on time and you didn't really have to elbow anybody in the face to do it, and that's a real trick. I just wanted to compliment you on that. I agree with you that the staff has done a tremendous job.

I also, while I have the floor, want to reflect in the Hansard that OSSTF has responded to the response of research, and I would expect this will be a kind of ongoing thing. But I do want the record to reflect the fact that they've noted what they consider to be—how best to phrase it? Let's just say they approach the calculation differently and I think are still arguing that their stats hold, notwithstanding certain members' attempts to portray it otherwise.

**The Chair:** Thank you very much. I guess the next step is that by March 19 the research officer will deliver a draft copy to all the committee members. I have no say over this, but it looks like March 22 will probably be the day that we'll have an opportunity to discuss the draft report that will be circulated on the 19th.

Any further comments? If not, thank you very much and we're now adjourned.

*The committee adjourned at 1730.*











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